PROTECTION IN FRANCE

H. O. MEREDITH

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PROTECTION IN FRANCE

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BY

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PREFACE.

In writing this short study of Protection in France, I have tried to confine myself to essentials, and to exclude all that did not bear directly upon the main problem, which may, perhaps, be stated thus: "Is the existing tariff fundamentally bad, or are its imperfections (whose existence most people would admit) a mere matter of detail?" This course has compelled the omission of much that is interesting, and, in its own sphere, important. Thus I have not discussed the ramifications of French bounties, because they are simply an outcrop from the general body of French Protection. Similarly I have left the policy of France towards her Colonies untouched. It was, perhaps, wise to establish an approximation towards Imperial Free Trade in 1892. But the wisdom of this step has no bearing on the main question at issue, since it could have been taken as well, or better, under a

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fiscal system based on other principles. My answer to the main question propounded is that Economic Science condemns the existing system, whether the individual economist be inclined to hope much or little from Scientific Protection. Something will have been attained if I have succeeded in convincing the reader that Scientific Protectionists and Scientific Free Traders base themselves upon one body of economic science, that they are more concerned where they differ with the application of principles than with the principles, and that Mercantile Protectionists are necessarily opposed to both.

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PROTECTION IN FRANCE.

CHAPTER I.

INTRODUCTORY SKETCH: CHANGES IN THE FRENCH TARIFF DURING THE NINETEENTH CENTURY.

A DETAILED account of the changes which the French tariff underwent in the course of the nineteenth century would be beyond the scope of a book which professes only to give a general view of the history of Protection in France. The story of how each particular duty came to be "so high" and "no higher" at successive dates is interesting to the student of politics, and occasionally interesting to the student of economics. But the purpose of the present treatise will be best served by such a sketch of the general course of French policy as will fix in the mind of the reader the broad features of the tariff in each succeeding period, and will make him master of the duration of each phase, and of the chief causes which led one phase to give place to another.

Since the days when, in the third quarter of the eighteenth century, the Physiocrats laid in

France the foundations of scientific economics, the tariff policy of France has passed through four phases. In two of these phases (the first and third) the tariff has been made less restrictive; in the other two (the second and fourth) the tendency has been in the other direction. The first phase extends roughly from the ministry of Turgot to the outbreak of war between England and the first Republic in 1793; the second from that date until the beginning of the Second Empire in 1852; the third until about 1880, and the fourth is still in progress. The relative positions of the several phases are easy to remember, since they nearly coincided in time with similar developments in our own country. The reforms during the first part of the Ministry of Mr. Pitt, the set-back towards extreme Protection which resulted from the Napoleonic Wars, the Free Trade reform commenced by Huskisson, and concluded by Gladstone, correspond in our own country to similar changes in the policy of France. It is true that we have not as yet any counterpart of the fourth period to show: its place has been taken here by the "Fair Trade" agitation of the 'eighties, and the present demand for tariff-reform.

In Cæsar's time, if we may believe "The Commentaries," Gaul was divided into three parts. In the reign of Louis XVI., France as an industrial unit can hardly be said to have existed at all. Tariffs barred intercourse between the several provinces—one among many reminders of

past independence. In some cases, we are told, trade was less restricted between a French province and the outside world than between the same province and the rest of the country. Especially mischievous was the treatment of wheat. Each province, fearing that it would starve, laid heavy export duties on corn, with the result that each took its turn between years of plenty, when the surplus could not go out, and years of famine when the surplus of other provinces could not come in. Against this organised ruin of the nation the greatest French Ministers struggled in vain. The autocracy was powerless for good against the ignorance and prejudice of its subjects. The provinces were jealous of the Crown and of one another. Men felt themselves Bretons, Gascons, and Picards first—Frenchmen only in the second place. However, the Revolution brought some improvement. First the whole of France became one country. The abolition of the inter-provincial tariffs opened a new industrial era. Secondly, the high general level of intelligence in the Assemblée Nationale made it possible for a moderate tariff to be passed. It contained a few prohibitions in cases where duties—it was thought—would encourage smuggling. For the rest 20 per cent. was an upper limit of protection. Corn and cattle, wool, flax, skins, leather, and iron were admitted free. There are few tariffs so moderate in our own day. There has been none since in France.

The outbreak of war with England in 1793 drew the young Republic from the path of moderation. In March of that year the Convention prohibited the importation of the staples of English manufacture. Manufactures generally might be introduced only on proof given that they were the produce of countries not at war with France. The Directorate carried on the system, and the Empire tried to force it upon Europe. The Spanish and Russian expeditions were undertaken partly from the desire to widen the area of the Continental Blockade.

The tariff policy of France from 1793 to 1814 was dictated by hostility to England: it was in no sense a reasoned system designed in the economic interests of France. Accordingly, in 1814, the first thought of the restored monarchy was to return to the state of things which had preceded the war. Unhappily, vested interests had grown up in the meantime, and their influence not only made reform impossible, but caused a system, designed to ruin England in time of war, to be extended to all other countries in time of peace. Not only so, but the example of what existed, and the aid of the party which benefited, or thought it benefited by the *status quo*, made it possible for other sections of producers to obtain Protection on the scale of the war duties and the prohibitions. Corn, cattle, and iron had not been taxed during the war, because they were not articles which England produced for export in

any quantity. Nevertheless, the British fleet, by intercepting trade, had given French producers a practical monopoly in those articles which were too bulky to be imported from any distance by land.[1] The producers of these articles, therefore, demanded and obtained Protection when peace was established: all the more easily because England—the model of constitutional practice—had just intensified her corn laws. The effects of the "sliding scale" on corn were less serious in France than in England, but worked in the same general direction, viz., towards great instability of price. The iron duties which had been imposed to protect French "charcoal" iron from Russian iron produced by the same process, resulted in protecting it from English "coal" iron, and to that extent made it less imperative for French producers to import the improved methods of their British rivals.[2]

The Governments of the Restoration — both Bourbon and Orleanist—were very much more liberal than the Parliamentary majorities. They were, however, powerless against the coalition of "big" manufacturers and landowners, who were enabled by the restriction of the franchise to control the legislative bodies. It was in these days that a monopolist in the Upper House dared to assert candidly the truth which, under a more

[1] Thus iron from Scandinavia, Russia and America, and corn from Russia, were kept out.

[2] The iron duties in the United States seem to have had similar effects in the early part of the nineteenth century.

democratic *régime*, is apt to be concealed: "No society can dispense entirely with an aristocracy; every government has need of one. Do you wish to know the aristocracy of the July monarchy? It is the aristocracy of the great ones in the industrial and manufacturing world. They are the founders of the new dynasty."[1] It is only fair to add that public opinion was almost without exception on the side of the monopolists. The agitation initiated by Bastiat in imitation of Cobden's League was a failure.

The reader will probably agree that a tariff designed to do the maximum of injury to one nation in time of war could hardly be identical with what sane consideration would suggest as properly applicable to all nations in time of peace, and examination of the details of the tariff bears out this view entirely. The tariff was designed for revenue, of course, as well as for protection, and most revenue was raised from just those articles which, in the existing conditions of French industry, ought to have come in free or at low duties. The following table of the average revenue derived from import duties in the years 1847 to 1851 is extracted from the *Tableau Général du commerce de la France* for 1852:—

Mean of 5 years, 1847—1851.	Millions of francs.
Sugar from French colonies ...	27·8
Coffee	15·4
Foreign sugar...	12·5

[1] Cte. Jaubert, in 1836.

Mean of 5 years, 1847—1851.	Millions of francs.
Raw cotton	11·8
Raw wool	7·3
Coal	5·1
Olive oil	7·2
Pig iron	2·6
Oil-seeds	2·7
Table fruit	1·5
Tissues: linen and hemp	1·3
Cocoa	1·2
Pepper and spice	1·0
Tropical timber	0·7
Machinery	0·6
Lead	0·9
Yarns: linen and hemp	0·7
Indigo	0·6
Tissues: silk	0·5
Cattle	1·0
Wrought iron...	0·8
Hides and skins	0·5
Cheese	0·5
Horses	0·5
Steel	0·4
Potash	0·3
Rice	0·3
Yarns: cotton	0·2
Hemp	0·3
Tools	0·3
Suet and lard	0·9
Nitrates of potash and soda ...	0·1
Agricultural machinery	0·1
Cereals...	0·7
Other merchandise	10·9
	119·2

It will be seen that the enumerated articles account for more than nine-tenths of the total revenue raised by custom duties. Yet, if from the list we except coffee, olive oil, table fruit, cocoa,

pepper and tissues, it would be difficult to select any equivalent number of articles whose taxation would be more likely to do harm to industry. Apart entirely from the broad issue between Free Trade and Protection, the problem which any intelligent Government must set itself to solve, was to lighten the load on raw materials and the necessaries of life. To this problem the Government of the Second Empire devoted from the first considerable attention.

We have seen what were the broad features of the tariff as an instrument of taxation. It remains to consider the part played in it by Protection. Many of the duties enumerated were, of course, intended to protect as well as to raise revenue. Such, for instance, were the duties on iron, agricultural produce, yarns and tissues. But for the most part Protection was effected not by duties on import, but by the prohibition of import. Until 1860 the following articles were prohibited: Woollen yarns and tissues, cotton tissues and (with a few exceptions) yarns, tissues of linen with cotton embroidery, yarns and tissues of hair (except cashmires), clothing, manufactured leather, leather manufactures, plate, cutlery, metal manufactures (except tools and machinery), brass wire, some kinds of forged iron, refined sugar, soap (except scented), dyes extracted from wood, madder, unenumerated chemicals, pottery, glass, molasses (except from French colonies), powdered turmeric, Peruvian bark extract, ground coffee,

tissues of horsehair, spring vehicles, ships, fancy turnery and some other unimportant goods.

A protective system, if it is to offer any prospect of doing more good than harm, must necessarily be economical. That is to say, the State aid granted must be reduced to the minimum which will suffice. It is plain that the absolute exclusion of competitive goods does not meet this requirement, and we may conclude therefore that whether or no some measure of protection was desirable at this time in France, the existing customs' system was immensely bad. This at least was the view taken by the Government of the Second Empire. They determined from the first to reduce or abolish the duties on raw materials and prime necessaries, and to substitute for the prohibitions, duties which should subject French producers to some measure of foreign competition, though not by any means to its full force. Three methods of advance presented themselves:

(1) It was possible to introduce bills for the alteration of the tariff in the Legislative Chambers.

(2) The Executive had the right to alter duties in the tariff by proclamation on condition that such alterations were subsequently presented to the Chambers for ratification.

(3) A clause in the new Imperial Constitution gave the Executive the right to alter the tariff as part of a treaty with a foreign Power, without requiring that such alterations should be ratified by the Chambers.

For the first eight years of its existence the Government contented itself with essaying methods of advance (1) and (2). In 1860, finding further progress on these lines impossible, it fell back on method (3) and made a "clean sweep" of the prohibitions by the Cobden treaty.

Little progress was made by the first method. A bill for the repeal of the prohibitions introduced in 1856 into the Lower Chamber was rejected without examination by the protectionist majority. By the second method some hundreds of duties were reduced or abolished, and these alterations were sanctioned in nearly all cases by the Chambers in the three Acts of 1854, 1856 and 1859. During the scarcity years of the Crimean war the sliding scale on corn was suspended, and this suspension was prolonged until 1859. That year marked the zenith of protectionist power under the Second Empire. The sliding scale was reintroduced, and an enquiry into the conditions of the manufacturing industries (which had been threatened by the Government in 1856 after their bill for the repeal of the prohibitions had been rejected) was abandoned. On the eve of war with Austria the Emperor could not afford to quarrel with the most influential party in the State. But his success against Austria put him in good heart; he needed also to appease the anger of Palmerston,[1] if his design for the annexation

[1] Or rather to make it ineffective by restoring his own popularity in England.

of Nice and Savoy were to be carried out. Michel Chevalier, who, late in 1859, arranged the preliminaries of the Cobden treaty with Cobden and Gladstone, was a member of the Conseil d'État and received the unofficial support of Persigny—at that time French Ambassador in London.

The supplementary agreements which, in the course of 1861, were added to the "Cobden" treaty of 1860 substituted for the prohibitions and high duties on manufactures a moderate tariff ranging from 10 per cent. to 20 per cent. *ad valorem*. From this statement must be excepted the duties on iron and iron manufactures, which ran higher—perhaps up to 40 per cent. There is authority for the view that this exception was due not to a consideration of what was economically speaking advantageous to France, but to the personal influence of an iron master (M. Schneider) over the Emperor. The substitution of moderate duties for the prohibitions made other reforms easy—or rather imperative. The duties on raw cotton, raw wool and other raw materials were quickly removed and a duty of 1*s*. 1*d*. the quarter substituted for the sliding scale on corn. New treaties were concluded with other European Powers, and in most cases these treaties led to fresh concessions. Finally, in 1866 the protection of the mercantile marine was abolished —except that foreign vessels remained excluded from the coasting trade

In 1860 Cobden wrote that nine out of every ten Frenchmen were hostile to the Emperor's reform. In 1875, when a circular was sent round to the Chambers of Commerce and to the Consultative Chambers of Arts and Crafts to know their opinion as to the working of the treaties, an enormous majority were in favour of their renewal.[1] This change of feeling does not, of course, prove that the reforms of the Second Empire had benefited France; it is, however, in accord with what was suggested by our examination of the pre-treaty system. Within a few years after 1875 the reaction had set in. Although no serious breach in the system of the 'sixties was effected until the mid-'eighties the Liberal party were losing ground steadily. The final crash came with the elections of 1889. Since then extreme protectionists have ruled the fiscal policy of France. The main outlines of their struggle for power and of the use they made of their power must now be described.

The causes of this reaction in France were in the main identical with those which produced similar movements of opinion in other countries. The "great depression" which followed upon the "great boom" of the early 'seventies and which was perhaps ultimately connected with the

[1] The majority were, however, opposed to the renewal of the most favoured nation clause, and desired to see all *ad valorem* duties exchanged for specific duties, which in practice would usually result in higher rates being paid since false declaration would be more difficult.

enormous waste of accumulated wealth in the War of Secession and the Franco-Prussian war, intensified competition in all directions. Add, that at this time improvements in transport were perhaps more remarkable than improvements in production, from which it resulted that the cheapening of importation proceeded faster than the cheapening of manufacture, and that duties which had worked protectively when the costs of carriage were higher lost some of their "sting." Most important of all—and depending directly upon improved transport—was the appearance on European markets of the agricultural produce of the "new" countries. In France all these causes were at work, and, in addition, an accidental misfortune, viz.: the destruction of the French vineyards by the phylloxera. Agriculturists and wine growers, who had lent much assistance to the Liberal cause, became "convinced" protectionists and, joined with the manufacturers, made up a national party of irresistible strength.

The protectionists won their first important success since 1859 over the reform of the "general" tariff. It should be explained that the tariff which resulted from the treaties concluded by France in the 'sixties, and which was known as the "conventional" tariff, was applied only to "treaty" Powers. Trade from other countries fell under the old "general" tariff, which had indeed been modified considerably as regards raw

materials and foods, but which still contained the old prohibitions of manufactures. The treaties had been concluded for a term of ten years with optional renewal for periods of one year when the first ten years had elapsed. It was plain that, if for one reason or another, negotiations for the renewal of a treaty with any Power broke down, trade between that country and France would fall under an antiquated tariff whose provisions all important parties (at that time) considered to be absurd. The Government therefore in 1875, in view of the fact that several treaties had nearly run their course[1] and that negotiations for their renewal must be entered into, resolved to substitute for the old "general" tariff a new one—based upon the existing "conventional" tariff. It was with this end in view that the circular mentioned above was sent to the Chambers of Commerce. The elections of February, 1876, returned a Liberal majority, and in February, 1877, M. Teisserenc de Bort (Minister of Commerce) laid a draft of the proposed new "general" tariff before the Chambers. This draft reproduced in great measure the duties actually inscribed in the

[1] The treaties with Belgium and England had been renewed in 1873 (with unimportant modifications) until 1876. The attempts made by Thiers in 1871 and 1872 to break down the Napoleonic system have a certain diplomatic interest, but, as they failed completely, an account of them would only embarrass the main thread of the story.

French "conventional" tariff, and it is plain that at this time the Government contemplated reductions of the "conventional" tariff in the new treaties.[1] In the same year, however, a constitutional crisis determined the President to dissolve the Chambers and, after fresh elections in December, 1877, the Liberals returned to power with a diminished majority. The first draft of the new "general" tariff had been withdrawn, and in January, 1878, M. Teisserenc de Bort introduced a second draft, the duties in which were, on the average, 24 per cent. higher than the duties in the existing "conventional" tariff. This draft did not come up for discussion until early in 1880, and meantime the protectionist reaction had gathered force. Increases in a number of the duties proposed by the Government were voted both in the Chamber of Deputies and in the Senate, and the Government only prevented a general *débâcle* of the cause they had at heart by political manœuvring, *i.e.*, by sowing dissensions between the agricultural and manufacturing interests. Even so they made considerable concessions—undertaking in the first place that in the new treaties they would in no case reduce the duties of the new "general" tariff by more than 24 per cent., and in the second place

[1] Thus, in their first proposals for a renewal of the treaty to the British Government, they suggested as a basis for negotiation "an improvement of the *status quo* in the direction of Free Trade."

that duties on cereals and cattle should be excluded from all treaties. The first concession made it impossible for them to offer to the treaty Powers any important "improvement of the *status quo* in the direction of Free Trade." The second condition prevented them from engaging France to refrain during the life of the new treaties from increasing the protection of agricultural produce. The first concession had, as we shall see, important bearings on the fate of the Cobden treaty ; the second contained the seeds of the impending protectionist victory.

It was observed that the victory of the Liberals —such as it was—was obtained by fomenting distrust between the agricultural and manufacturing interests. The leaders of the protectionist party were well aware of this and they set themselves for the future to consolidate the two sections. The duties on manufactures had been settled by the new treaties until 1892. It could be urged that there was no question of self-interest in any support given by the representatives of manufacturing interests to the agriculturists' demand for Protection. It was in fact an ideal opportunity for the manufacturers to prove to the agriculturists that they really had their interests at heart. This they proceeded to do. The new "general" tariff of 1881, besides retaining the duty of 1*s.* 1*d.* the quarter on wheat, had charged maize and oats at the same rate. Fresh meat had been rated 3 frs. per 100 kilograms, salt meat 4 frs. 50 cts. The

former had been free of duty since 1863, the latter had paid 4 frs. since 1874. Oxen, young cattle, and calves were charged 15 frs., 5 frs., and 1 fr. 50 cts. per head respectively, in each case about four times the amount of the previous duties. Raw materials on the other hand had all remained free. During the 'eighties their strengthened alliance with the manufacturers enabled the agriculturists to improve their position considerably. In 1884 the first step was taken with a rearrangement of the drawback on sugar, which gave the French beet-sugar producers an export bounty similar to that already enjoyed by the Germans. In 1885 the elections were fought largely on the question of agricultural protection, and the protectionist success was such that when the new Chamber assembled the Government took the initiative in proposing increased duties. The duty on wheat was raised to 5*s.* 6*d.* a quarter. Barley, rye, and oats were taxed at 2*s.* 9*d.* a quarter; the duties on cattle and meat were raised in proportion. Duties on biscuits and flour were, of course, higher than on wheat, but bread was for the present exempted. The results of these duties not being satisfactory, in 1887 new increases were made. The duty on wheat was raised to 8*s.* 9*d.*, on barley to 5*s.* 6*d.* The duties on biscuits, flour, cattle, and meat were similarly increased, and a few months later the protection of the French distiller was increased too. The breach was by this time practicable, and private bills to encourage agriculture poured

in. Of the year 1888 M. Devers gives the following summary: "Proposals to alter the *régime* of spirits, maize, and rice; tending to establish a tax on raisins; to tax cider apples and perry pears; to tax flax and hemp, raw or prepared; to tax foreign molasses; to alter the *régime* of salt; to tax foreign maize imported for distilling." Of the years 1889 and 1890: "Proposals relating to barley, buckwheat, maize, rice, molasses, raisins, flax and hemp, jute, oil-seeds, sugar from foreign colonies, silk cocoons, raw silk, thrown silk; two more proposals on the subject of raisins; another on maize and rice; another on 74 schedules in the tariff; proposals to deal with barley and malt, with hemp, with foreign molasses, with casks, with cocoons, with raw and thrown silk, with withies, etc."[1] Most of these proposals, of course, came to nothing; their interest is that they betray the enthusiasm of the private member.

It will be seen that the main structure of agricultural protection was built up during the 'eighties and that it became serious for the first time in 1885. The success of the agriculturists depended upon the support of the manufacturers, and the time was coming for the latter to claim their reward. The treaties which prevented alterations in the duties on manufactures were to expire early in 1892, and before they could be renewed the whole question of the tariff must necessarily come up for discussion. The last hope of the Moderates

[1] Publications of "Verein für Socialpolitik," 21, III., 162.

was destroyed by the elections of 1889, which were fought on the tariff issue and resulted in the complete victory of the protectionists. M. Tirard (Minister of Commerce), the leader of the Moderates, despatched a circular to the Chambers of Commerce and Agriculture and other bodies which represented the interests of producers, to which they were required to send in their replies within six weeks' time. If M. Tirard still had any hope that the tariff of 1881 would not be greatly modified he was quickly disillusioned by the attitude of the Chambers. He accepted defeat on a minor question (connected with fiscal policy) and resigned early in 1890. His place was taken by M. Jules Roche, who, although, in common with other members of the Government, he distrusted such extremist measures as the taxation of raw wool, was ready in the main to do the will of the majority. We must now pause to consider what that will was.

The extreme protectionists were dissatisfied with the system established under the Empire, and sanctioned in its main features by the Republic in 1881, for various reasons. In the first place, of course, they complained of the "differential" treatment of agriculture. If manufactures were protected so too (in their view) should be agriculture. Secondly, they maintained that the duties on manufactures were altogether too low. But apart from these objections of detail they condemned the treaty system itself root and

branch. In the first place, the "most-favoured nation" clause seemed to them absurd. French producers had less to fear from the competition of some nations than from that of others. Wheat growers, for instance, were afraid of the American but not of the British farmer; similarly cotton spinners feared Lancashire, but not Austria in the same degree; yet according to the "most-favoured nation" system, concessions made to Austrian spinners must at once be extended to British spinners. In negotiating, the French might have the offer of an important concession from Austria in return for a reduction on Austrian yarns, which so far as that country was concerned they would be ready enough to grant, but would be afraid to extend to England or Germany. Furthermore, it was objected that the conditions of production in all countries were constantly altering. A wise protection would take this fact into account, and alter the French duties as often as conditions changed in France or in some rival country. A treaty system which "tied up" the French tariff for ten years made such "scientific" procedure impossible. To meet these difficulties all that seemed necessary in their view was, (1) to exclude the "most-favoured nation" clause from all future treaties, (2) to establish two tariffs, a maximum and minimum, and in treating to offer foreign nations the minimum *en bloc* whilst threatening them with the maximum to ensure proper concessions. The minimum tariff so granted would

not be "bound." On the contrary, all that the French in granting it would undertake was never to charge the goods of the nation in question with higher duties than those of the minimum tariff might at any time be. In other words, if a few months after granting the minimum duties it were discovered that the "grantee" was deriving too much advantage from them, the French would be able to raise their minimum duties and exclude the goods of the treaty-country without breach of the treaty! It was, no doubt, evident that such restrictions would make a treaty with France of very little value to other nations, but the protectionist party considered that the advantages obtained in treaties were not sufficient to balance loss of control over the domestic tariff. For this view they might have cited the authority of Bismarck and of a considerable number of British statesmen who have concurred with them in doubting whether it is possible by negotiation to affect seriously the tariff policy of foreign countries. In relation to these demands the position of the Government—taking M. Jules Roche as their representative—was as follows. They were ready for an all round increase in the duties, excepting on certain raw materials—flax, hemp, wool, raw silk, and hides. They accepted also in principle the maximum and minimum tariff system. On the other hand they were determined to uphold the "most-favoured nation" clause and also maintained their right to conclude treaties which

should "bind" particular duties in the minimum tariff, and even to offer in negotiation lower rates than the "minimum"—it being understood, of course, that all treaties must be ratified by the Legislature. They were thus somewhat more liberal than the majority in the Chambers, though M. Méline joined with them to oppose taxation of the raw materials enumerated.

The important alterations in the new tariff of 1892 may be classified under two heads, according as they resulted from the completion of the structure of agricultural protection which had been growing steadily during the previous eight years, or from the entire remodelling of the protection of manufactures which had been prevented hitherto by treaty engagements.

In the first class may be mentioned: considerable increase on live and dead meat and poultry; increase on most kinds of fish; increase on eggs, milk, butter, and cheese; duty on barley doubled; heavy duties on buckwheat (previously free); "bread," as such, taxed for the first time; duties on vegetables and chestnuts (previously free); increased duties on all descriptions of fruit, both fresh and dried; seed for sowing, beetroot seed and clover seed (all previously free) now taxed.

The duties on olive, colza, mustard seed, poppy and rape seed oils were all raised. Timber (which had been free) was taxed—so also tan-barks. The duties on preserved vegetables were increased fourfold; the duty on hops was more than doubled.

Beetroot and potatoes were taxed for the first time. The duties on wines, spirits, vinegar, beer and all other fermented beverages (except mead) were raised considerably.

On the other hand, wool, silk (in cocoons or raw), hides, flax, hemp and oil seeds and fruits all remained free in spite of the efforts of the agriculturists. To compensate them for the exemption of raw wool and hides they were given a further increase in the duties on live animals. For the exemption of silk, flax and hemp, they obtained bounties on the production of those articles. The only complete success of the Moderates was won on the question of oil seeds.

Before passing to the duties on manufactures we may notice in the section, "Rocks, Earths, and Combustible Minerals," duties on bricks, tiles, paving stones, cement and pipes and other mouldings of cement and concrete, all of which had been free; an increase on paraffin of near fourfold; in "Metals" an increase of above 100 per cent. on ferro-manganese, ferro-silicium, spiegeleisen, iron-chrome, and ferro-aluminium; a decrease on some primary steel manufactures[1]; an increase (considerable) on tool steel and steel wire; an increase on nickel (except ore, regulus and ingots).

[1] Due to the fact that since 1860 (when the existing duties had been arranged) steel had fallen in price more than iron and tended to be substituted for it for various uses.

Manufactures proper.—Some increased rates in the section "*Chemicals.*"

Earthenware and China.—The common descriptions which had been free were taxed: several new classes and subdivisions were inserted with generally increased rates.

Glass and Glasswares.—Multiplication of categories and many duties raised.

Yarns.—(*a*) Hemp, flax, and ramie: increase throughout. Special surcharge on yarns in balls and skeins.

(*b*) Jute: same general features.

(*c*) Cotton: general increase.

(*d*) Wool: combed — unchanged. Carded — increase in some cases.

(*e*) Silk: thrown silk taxed—formerly free. Yarns for sewing, embroidery and millinery—duties increased.

Tissues.—(*a*) Hemp, flax, etc.: general increase—considerable.

(*b*) Jute: some increase.

(*c*) Cotton: general increase — considerable. Decrease on velvets, piqués, table linen, upholstery.

(*d*) Wool: few alterations—some reductions.

(*e*) Silk: duties on those silks which had been free (except on pongee, corah, and tussor silk). Otherwise little change.

Paper.—General increase—considerable.

Hides and Skins, prepared.—Multiplication of categories—increase on the whole.

Gold- and Silversmiths' Wares.—Same general features.

Clocks and Watches.—Same general features.

Machinery.—Increase (with few exceptions)—important.

Other Metal Wares.—The same.

Furniture and Wooden Wares.—The same.

Musical Instruments.—The same.

Manufactures of Esparto Grass, Basket Work, and Cordage.—Not much change. Great increase on straw hats.

Vehicles.—Little alteration, except great increase on cycles.

Caoutchouc.—General increase—important.

Other Manufactures.—Not much alteration.

This general description applies, of course, to the minimum tariff only, in contrast with the pre-existing "conventional" tariff. The maximum duties were in nearly all cases considerably higher. In a few cases these duties were subsequently reduced by way of negotiation with treaty Powers; and we shall discuss these reductions in a future chapter. The duty on wheat was further increased by nearly 50 per cent. in 1894; but in its broad features the minimum tariff of 1892 represents the full development of the protectionist system in France. We may therefore sum up the progress of her fiscal policy since 1852 as follows:

1852—1859.—First period of Liberal reform.

1860—1866.—Culmination of Liberal reform.

1880—1891.—First period of Protectionist reform.

1892.—Culmination of Protectionist reform.

In an estimate of the *ad valorem* equivalents of the import duties levied by foreign countries on British exports, the Board of Trade ranks France fourth amongst the nations, with duties averaging 34 per cent. This estimate, of course, takes little account of the duties on food and raw materials,[1] since our exports under these heads are relatively small.

[1] Except coal, on which the duty is about 1s. a ton.

CHAPTER II.

THE "MECHANICS" OF FRENCH POLICY.

THE principles from which the fiscal policy of France has been deduced in its varying phases have not always been the same as those which produced policies more or less resembling the French in other countries. We have seen that between 1852 and 1866 the French gradually worked out a reform of their tariff. The general direction of this reform was towards freer trade; the period during which it was effected coincided very nearly with the period of the Free Trade reform in the United Kingdom. Yet the principles upon which French statesmen under the Second Empire built their reform were not identical with the principles from which British statesmen proceeded. Similarly, of the more recent protectionist reactions in France and Germany, it may be said that the part played by scientific protectionists was more important in Germany than in France; though it is true that the main agitation in both countries was carried through by mercantile protectionists whose guiding principles are the same in all countries and at all times.

The easiest way of enabling the reader to grasp firmly the distinction between "scientific" and

"mercantile" protectionists will be to commence with a brief statement of the fundamental economic principles from which Huskisson, Peel, and Gladstone proceeded; then to point out why it was that "scientific" protectionists, such as List in Germany and Cary in America, who admitted the correctness of the principles applied by the British, deduced from these and other principles the desirability of Protection for their own countries. When the fundamental agreement between scientific protectionists and scientific free traders in all countries has been demonstrated, the fundamental hostility of mercantile protectionists to both will readily be seen.

The English reformers deduced their policy from two broad truths, which are disputed by many journalists and politicians, but are accepted by scientific economists in all countries. The first principle of the reformers was, that a nation's demand for gold is similar to its demand for other commodities in this; viz., that a relative scarcity of the supply of gold causes its price to rise, and that a relative abundance causes its price to fall. Thus if imports were coming into a country faster than exports went out to pay for them, so soon as gold began to be exported the contraction in the national supply of that commodity would necessarily translate itself into a rise in its price—or in other words into a fall in the gold prices of other

commodities; this fall in price would increase the profits of exporting and diminish the profits of importing; more goods would be exported and less would be imported, and this would go on until the supply of gold in the country had again adjusted itself to the demand. Investigations of the last seventy years have not altered at all the main outlines of this theorem (which had, of course, been demonstrated earlier by Adam Smith). But it has become clear that, in general, variations in the price of bills of exchange are adequate to increase or restrict exports and imports of goods as the case may require, and that consequently the export or import of gold is usually a *cause* and not a consequence of the import or export of goods and services.

The second fundamental principle of the British reformers was that a country can obtain any commodities which it needs in one of two ways: either by producing them directly or by producing something else and exchanging this for the produce of other nations. From this it was deduced that (apart from temporary fluctuations) the exclusion of foreign goods cannot increase the demand for labour in the importing country, and will in fact—in so far as the goods excluded have to be produced at greater cost at home—decrease it.

The British reform then followed naturally from these fundamental principles. The same principles were admitted by List and Cary, and have never

been disputed by scientific protectionists. Nor has it been seriously disputed that the British reformers were on the whole right in their practice, given the then existing conditions of international trade. Why was it that men like List and Cary, who admitted the correctness of the British principles and also admitted that the policy derived from those principles was advantageous to the United Kingdom, nevertheless concluded in favour of a different policy for their own country? The explanation is simple. Certain considerations which were negligible in the case of England were in their opinion not negligible in the case of Germany and the United States. The British had assumed that industries would necessarily settle in the localities which were best adapted to them; List and Cary perceived that though this was true of England it was not true of Germany and of the United States. The initial difficulties of starting new industries in agricultural countries, when the methods, the plant, and generally a proportion of the workmen required to be imported, were so great that it was impossible to trust to private initiative to establish, speedily, advanced manufacturing industries, even in countries which possessed the fullest natural facilities for their prosecution, and where they would inevitably establish themselves in the long run. They therefore demanded State aid. And whilst discussion must arise as to the methods adopted for granting State aid and the amount of aid

granted, there can be no question that their new principle was an important addition to the general body of economic truth.

To sum up, the English free traders based their policy upon two fundamental truths: (1) that gold prices being regulated by the course of trade it is impossible to import without exporting, and (2) that when a country procures goods by exchange which have formerly been produced at home, the sum of employment is not diminished by the value of the goods imported. Scientific protectionists added a third and important theorem, viz., that the establishment or continuance of an industry in a country is not determined solely by the natural facilities which the country offers for carrying it out; that other influences are at work, and that it may be to the advantage of a country at one period or another of its history to restrict its exports and imports artificially, and to procure by home production certain goods which it has been procuring by exchange.[1]

The antithesis between these views on the one hand and the views of mercantile protectionists on the other is plain enough. The latter do not admit that gold prices are affected by the course

[1] At the same time it must be noted that scientific protectionists have always underrated the difficulty of establishing scientific protection. The layman has always been, and probably will always be, either a free-trader or a mercantilist. The chance that the policy dictated by mercantilism will ever in any case so nearly coincide with the policy dictated by scientific protection as to be capable of doing more good than harm is usually not very great.

of trade, and therefore naturally believe that a country can be undersold on its own market in everything at once, and can go on importing without exporting until every ounce of gold has gone abroad. Similarly they believe that the importation of goods diminishes the sum of employment by the full value of the goods imported, and that though in the case of goods which cannot possibly be produced at home, "what cannot be cured must be endured," yet, generally speaking, the smaller the sum of a country's imports (relatively to its exports) is, and the more slowly that sum increases, the more prosperous will that country be.

If we classify French statesmen during the second half of the nineteenth century by the light of their pronouncements on fiscal policy, we find it possible to divide them into two broad schools. On the one hand are stalwart mercantile protectionists, holding unwaveringly a definite body of economic opinion fundamentally one with the mercantilism of the eighteenth century. They have been in favour consistently of the maximum of Protection obtainable. They supported the prohibitions as long as they subsisted, and by their opposition necessitated the quasi-*coup d'état* of the Cobden Treaty; they never wavered in their opposition to the reforms of the 'fifties and 'sixties; and they finally returned to power after the elections of 1889, when M. Tirard resigned from the Ministry of Commerce and M. Roche was appointed in his place. Their

leaders in lineal succession have been M. Thiers, M. Pouyer Quertier, and M. Méline. Opposed to them we find not a party based upon modern economics, but a mixed multitude of academic free traders, practical men whose business interests lay on the side of trade or manufacture for export, moderate protectionists, and all who were attracted by the name of "liberty" or scared by the name of "taxation." This party has necessarily been "opportunist," inasmuch as though all its members had one common aim—namely, to restrain the excesses of their opponents—yet they had no common principles which could prevent damaging defections on points of detail,[1] or hearten them for the serious prosecution of a constructive policy.[2] The aim of the leaders of this "party without principle" has necessarily been to avoid as far as possible any precise handling of the problems of economic theory which are implicit in any scientific policy. And in this they have been at a serious disadvantage in opposing the extreme protectionists. M. Thiers, M. Pouyer Quertier, and

[1] Thus the wine-growers and many agriculturists who adhered to this party, when the interest of their trade lay obviously on the side of free exchange, went over to the opposition as soon as corn, meat and wine began to be imported in serious quantities.

[2] They have had no force of initiative since the fall of the Empire. The minority of free traders could influence the Imperial policy behind the scenes and draw the Moderates with them. They have not been able to stir up the Moderates to effective agitation on their own account.

M. Méline rolled out in speech after speech the crude fallacies of mercantilism, with the certainty that though they would be dissected by a small knot of academic free traders, yet the political leaders of the other side—we may instance M. Rouher and M. Tirard—would not seriously dispute principles which were held more or less by considerable numbers of their own adherents, but would content themselves with showing, or attempting to show, that, as a matter of fact, the economic condition of the nation was not so desperate as their opponents maintained, and had improved faster than they would admit. In these demonstrations they were often completely successful; but it may be noted that it is very difficult to promote enthusiasm by the demonstration of fact. Moreover, so long as the theoretical contentions of the protectionists remained unassailed, it was open to them to retort, "Think how much better we should have done if we had had a high tariff!" The answers of the leaders of the Liberal party were not only uninspiring, they were also no adequate answer to the arguments of their opponents. It is idle to point out that wages have risen as well as the values of imports, in answer to assertions (based upon theoretical considerations) that imports displace labour. The argument "*post hoc*"—the attempt to prove that the policy pursued by France had been right, by showing that the wealth of the nation had increased, was effective

only when addressed to men who had no clear economic opinions. It was quite useless when addressed to men who were led by theoretical considerations to believe that whatever the increase of wealth might have been, it would have been greater under a more severely protectionist *régime*.

If we go back to the foundation of the Liberal party at the commencement of the Second Empire, we find them already employing formulæ which were never substantially varied from that time onwards. In 1851 (when the future Emperor was still President of the Second Republic) a free trader (M. Saint Beuve) introduced a Bill to promote the policy which he favoured into the Assemblée Législative. The answer on the side of the extreme protectionists was delivered by M. Thiers, who advanced the usual fallacies on the connection between employment and imports, and also in a magnificent burst of oratory accused the free traders of insulting Providence.[1] The sense of the house was with the speaker, but

[1] He defined their policy as "rien faire et laisser aller le hasard." Free traders also have been known to identify their policy with the will of God. Thus Mr. Gladstone, in his "Budget" speech of 1860: "While nature or Providence rather has placed you in the closest proximity, the same wise agency has also given to these great countries such diversities of soils, products and character, that I do not believe you can find on the face of the world two other countries which are so admirably constituted for carrying on a beneficial and extended commerce with one another." He is speaking, of course, of France and the United Kingdom.

the extremists desired also that the Government should commit themselves. M. Fould (then Minister of Finance) was selected to make the declaration. He stated that the Government were not free traders,[1] but that they were in favour of some relaxations of the existing system.[2] What these relaxations were and the principles which underlay them appeared with the successive reforms introduced by the Government of the Empire. The exordium to the Bill for the abolition of the prohibitions, which was introduced in 1856, contained the following declaration of principle:

"This Bill, whilst reserving a proper measure of Protection for industry, nevertheless opens the home market to those foreign products which are completely excluded from it to-day. The task presented serious difficulties. What, in fine, ought to be the regulating influence of the tariff? It ought to equalise the conditions of the struggle, to remove all possibility of a foreign product appearing in the home market with more in its favour than what is produced in France. It was necessary, therefore, first of all, to inquire into and determine how far the conditions of manufacturing industries in France are different from the conditions of manufacturing industries in foreign countries, in order to ascertain the cost of manufacturing in France and in foreign countries

[1] "Nous repoussons formellement le principe du libre échange comme incompatible avec l'indépendance et la sécurité d'une grande nation, comme destructeur de nos plus belles industries."

[2] "Sans doute nos tarifs de douane contiennent des prohibitions inutiles et surannées, nous pensons qu'il faut les en faire disparaître."

respectively; and to settle, in accordance with the results so obtained, what scale of duties ought to be set up."

The underlying thought in this passage may be expressed in the following propositions:

(1) Some industries must be protected.

(2) Protection must never go too far.

(3) The simplest way of steering between the Scylla of Free Trade and the Charybdis of Prohibition is to determine the difference between the cost of production of every article in France and in other countries respectively, and to impose duties equivalent to this difference.

From the position thus taken up, the Government of the Second Empire never wavered. The "conventional" tariff of 1861 was based upon a special inquiry into the costs of manufacturing in France and England respectively. In the inquiry of 1870 into the progress of the cotton and woollen industries, much of the evidence is directed towards proving that the duties in force either did or did not make good the difference between the cost of production in the two countries.

It is not difficult to understand how the Government came to take this position. In common with great numbers of intelligent Frenchmen they were vaguely aware that the existing system—derived from the measures passed during the Republican and Napoleonic wars—was immensely bad. On the other hand the mercantile protectionists who supported the *status quo* were very

influential in the country, and had working majorities in both houses. It was necessary, therefore, to devise some formula which would rally all Moderates, and which was not likely to arouse that "odium theologicum" which the force of tradition reserved for "economists."[1] The case was adequately met by the formula "compensatory duties"; and it was always possible when negotiating a treaty to arrange in particular instances for somewhat lower duties than the results of the enquiry suggested.[2] But though the immediate results of the formula were satisfactory to its propounders, it contained the *reductio ad absurdum* of the policy which it was put forward to defend. It will be seen that if carried out logically the "compensatory" duty is equivalent to prohibition. Goods are imported into a country because their price abroad is less than the price for which they can be produced at home, and if a duty completely covering the difference between the prices be imposed, the goods will no longer be imported. Logically, therefore, the formula put forward by the Government conceded the theoretical case of the mercantilist protectionists. It was admitted that, generally speaking,

[1] The prohibitionists on several occasions demanded that the professors of political economy whose salaries were paid by the State should be forbidden to teach those theories concerning foreign trade which seemed to throw doubt upon the wisdom of the fiscal policy of the country.

[2] On this point, *vide* speeches of M. Méline (*indignantis*) *passim*.

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it is more desirable to produce goods at home, at however great an increase of cost, than to import them. This was the position taken up by M. Thiers and M. Pouyer Quertier, and this position was really conceded by the Government. Nor were the protectionists slow in perceiving this: their demand for return to the prohibitions was quickly exchanged for the complaint that the Government had not fulfilled their pledges—that the duties in many cases did not cover the difference in the cost of production. The Liberals could not really dispute what was made evident by the increase of imports, and fell back upon general evidence of the increased prosperity of the country since 1860. But their position was untenable. Whenever in the vicissitudes of trade a depression occurred, the mercantilists were on the alert to point out the divergence between the formula of the Government and their action, and to ascribe the depression to this inconsistency.

Meanwhile, the Fiscal Liberals had no solid ground on which to rally. The handful of academic free traders in France, of course, remained faithful. But the leaders of the political party with which they had worked never openly accepted their theory of foreign trade, though they relied upon them in great measure to lead the debates on fiscal policy. With the leaders went the bulk of the party, and hence no important party in France—even in the days when the tariff was lowest, and when the nation as a whole was well satisfied with a low

tariff—has ever been educated in that part of the theory of international trade which is supported by the weight of economic authority all over the world. It will be clear that the division of parties between two schools, one professing mercantilist Protection and desiring to carry it to its logical extreme, the other not denying the principles of its opponents, but seeking merely to moderate their practice, could end only in one result. There was no hope of the establishment either of a Free Trade *régime* on the lines of the British reform, or of a *régime* of scientific Protection such as important economists have desiderated (but not established), for Germany and America, or such as Professor Ashley wishes to establish in the British Empire. In France there was no possible escape from a relapse upon mercantilism, which doctrine alone commanded the enthusiastic support of any important party in the State, and which was rejected in principle only by a few belated adherents of the decaying creed of universal individualism. Such at least were the probabilities, and so it fell out. The mercantile protectionists in the fulness of their power have never returned to the demand for prohibition, they have found their strength rather in accepting the theory of compensatory duties,[1] and in assessing the necessary compensation so high as to amount in many cases to a prohibitive

[1] So, *e.g.*, this basis is accepted by M. Méline in his general report to the Lower Chamber on the Government's draft tariff of 1890.

tax. To do this they had only to make certain that as often as possible the compensation fully equalled the difference in the cost of production —rather liberally estimated. Their calculations, of course, have been to some extent thrown out by the fact that the gold prices of commodities react to the course of trade. So long as France continues to export at all, it must import; and the prices from which the duties are calculated must be so influenced as to permit of some trade continuing. But though the protectionists have not succeeded in destroying trade between France and other countries, they have, as will be seen later, restricted it materially by carrying out logically the principles which their opponents professed.

The weakness of the position of the Liberals became particularly plain when the demand for agricultural Protection began. The reformers in the 'sixties had not protected agriculture, first, because they wished to reduce Protection to a minimum, and second, because the agriculturists at that time were, many of them, in favour of Free Trade. Wheat and meat were imported into France in small quantities only. They exempted also raw materials—even such as were imported from abroad in competition with French produce. The reason was the same here: the quantities of timber, leather and wool which were introduced were obviously useful to the manufacturing industries, and did not come in sufficient

quantities to disturb the home producer greatly.[1] But when with the cheapening of ocean transport and the opening up of new countries the great fall in the prices of agricultural produce began, the Liberals had no logical reply to make to the demand for Protection. Many of them, indeed, objected to "food taxes," and voted in accordance with this sentiment. But the formula—"compensatory duties wherever needed" —certainly did cover the case of agricultural produce just as well as the case of manufactures. We need not be surprised that Liberal agriculturists who had been bred upon this formula went over with a clear conscience to the mercantilists as soon as they saw their business interfered with by foreign competition. The same is true, of course, as regards every other branch of producers which was threatened by altered circumstances. They could, quite reasonably, assert that they had been paying "insurance" money in the duties on manufactured goods, on the understanding that if their turn came next protective duties should be granted to them.

To sum up. The French movement in the direction of "Libre Échange" rested not upon the clear perception by an important party of the fallacies of mercantilist economics, but upon a vague "general impression" that mercantilist Protection (doubtless a very good thing in its

[1] There was, indeed, complaint on the score of wool as early as 1868, but this was an isolated case.

way!) had been carried too far. This vague "general impression" was presently succeeded in the minds of many Moderate men by a similarly vague impression that "Libre Échange" had gone too far. With this change of opinion the extreme mercantilists returned to power. Doubtless in the future the pendulum may again swing the other way, as has happened twice at least in the past; and the old "Libre Échangiste" party may be re-established on its former basis. It is also possible that a great revulsion of feeling may carry the country over to a simple free-trade policy. What is certain is that France will never be governed by scientific protectionists.

It remains now to examine the principles upon which the mercantilist protectionists proceeded, to weigh the spirit in which they attacked the complicated problem of policy which confronted them, and to describe the methods by which they collected information and determined the duties which were to be imposed. And as the achievements of the party have lain rather in agitation and action than in literary exposition of their views, it will be well to commence with a study of the mental attitude towards foreign trade of their leader and typical representative, M. Méline. This study will be based upon the public records of his speeches.

It must be chronicled in the first place that M. Méline firmly believed himself to be influenced solely by facts, and not at all by his own

theoretical interpretation of facts. In so thinking he would appear to have fallen into the not uncommon error of believing that facts are possessed of significance apart from the theoretical interpretation which is put upon them. A statesman of the enthusiastic school[1] naturally finds it difficult to believe that the facts which are so significant to himself tell an utterly different tale to other people. He is preoccupied with the conviction that if only he could persuade people that the facts are as he has stated, there would be no divergence of opinion as to the policy to be pursued. He is slow to see that his enthusiasm is caused not by the bare facts, but by his own interpretation of them. And in justice to M. Méline it must be remembered that the party to which he was opposed were largely guilty of a similar error. Like M. Méline, the Liberals professed to be guided solely by facts, and the general vagueness of principle in the minds of the rank and file of the party made its leaders very chary of venturing beyond this ground. There was thus a kind of conspiracy of silence between the two parties on the subject of those fundamental problems of economic theory which underlie all decisions in the region of fiscal policy as certainly as mechanical theories underlie engineering. But this conspiracy of silence must not be binding upon the historian, whose

[1] M. Méline was well nicknamed by one of his opponents "An Apostle of Protection."

business it is rather to clear away the mist which obscures the relation between men's actions and their beliefs.

In the speech in which M. Méline opened his case for the new tariff in 1891, he proclaimed the need of a change in policy on the ground (amongst others) that whereas in 1859 there had been a considerable excess of exports from France, there had been in 1888 a considerable excess of imports into France. Here then is one of the "facts" upon which M. Méline's policy was founded. Yet if we consider it, we find that in itself, and divorced from theoretical interpretations, it cannot dictate a policy whether of Free Trade or of Protection. Plainly if M. Méline had believed that it did not matter one way or the other whether there was an excess of imports or an excess of exports, he would not have been led by the mere fact that there was an excess of imports to advocate any reform. Not simply because there was an excess of imports, but because he held that an excess of imports was a danger to France, did he move in the matter. Yet to hold that an excess of imports is a danger to a country is pure theory; it is a theory widely held indeed, and by many people implicitly believed. Conversely many people do not hold it. On both sides there is theoretical belief, and no *petitio principii*, however persistent, will make the one belief a fact whilst leaving its antithesis a theory.

The economic principles upon which M. Méline

based his policy may be summarised in the following propositions:—

(1) An excess of imports is necessarily disadvantageous: an excess of exports is necessarily advantageous.[1]

(2) If the general burden of taxation be greater in one country than in others, all producers in that country should be protected.[2]

(3) The protection of particular branches of production is unjust; the rule should be protection for all or protection for none.[3]

(4) Imports of goods which could be produced

[1] M. Méline was chosen "Rapporteur Général" by the special committee which the Chambre des Députés appointed in 1890 to examine the Government's draft tariff. In his report he argues that a change of policy is necessary because France has progressed less rapidly since 1860 than before that year. As evidence for the truth of this statement he advances that from 1849-1859 there had been an excess of exports, and that subsequently there had been an excess of imports. He sums up, "Il est évident (*sic*) que nous serions plus riches si nos exportations avaient été plus considérables et nos importations moins fortes." The same views were propounded by him in his first speech on the tariff, May 12, 1891.

[2] The second great reason given in the "Rapport Général" for a change of policy is the great increase of taxation in France. "Et maintenant il est facile de calculer pour chaque production l'augmentation de frais généraux qui résulte de *notre situation financière* et le désavantage spécial qu'elle inflige à nos producteurs en face de leurs concurrents étrangers."

[3] From the same "Rapport": "Nous plaçant à un point de vue tout différént de celui des négociateurs de 1860, nous avons considéré qu'il ne nous était pas permis de choisir entre les différentes branches de travail, de préférer l'une à l'autre, et que nous leur devions à toutes l'égalité de traitement."

at home diminish the national wages bill by the full amount of their value.[1]

(5) The protection of one class of producers does no harm to other classes of producers, unless the cost of their raw material be raised.[2]

It will be seen that these propositions are identical with the fundamental beliefs of mercantilist economics in all ages. They cannot, of course, be examined here in detail, but a few general remarks may be permitted.[3] They proceed almost necessarily from a misconception of the part played by money in international trade, and from the belief (bound up therein) that men produce and sell in order to obtain gold. The excess of exports is desired, and the excess of imports is feared because it is believed that the former will increase, the latter diminish, the nation's gold store. The belief that such accumulations or losses are possible proceeds from the belief that the exchange value of gold

[1] Speech in the Chamber of Deputies, May 12, 1891: "Veuillez vous me dire quelle raison il y a pour que la France ne se suffire pas au point de vue de la production des fils de coton? Établissez un régime économique qui vous permette d'augmenter le nombre des broches et alors au lieu de payer à l'étranger 29,000,000 frs. vous les payerez à vos ouvriers."

[2] (Same speech.) "Nous avons voulu qu'elles (*i.e.*, the export industries) continuassent à travailler dans les mêmes conditions qu'aujourd'hui"—and, therefore, they had refrained from taxing hides, wool, and raw silk.

[3] The most recent exhaustive refutation of mercantilist economics is contained in "Theorie der sogenannten günstigen und ungünstigen Handelsbilanz," by Dr. Petritsch.

does not vary, and that a nation will absorb any quantity of gold without its value in goods declining.[1] From this belief flows also Proposition 5. The mercantilist sees the harm done to a producer for export by a tax upon his raw material; he does not see why the restriction of imports should make his goods less saleable abroad. So, too, Proposition 4 is based on the view that, when foreign goods are imported, money goes out of the country, and that the sum which can be spent upon employing labour at home is thereby diminished. Again (Proposition 2) taxation raises the cost of production; *ergo*, the higher is taxation the greater must be the money cost of production; *ergo*, if only taxation be high enough all classes of producers will be undersold in the home market, if not by one nation, then by another. Proposition 3 marks the broad division between the scientific protectionist and the mercantilist. With the former the object of a protective duty is to attract labour and capital to certain selected industries by giving them an artificial advantage over other industries. The mercantilist desires to exclude goods of every kind except only the precious metals and the products of tropical countries.

Now the interest of these theoretical principles does not lie in the fact that they are fallacious, but in the fact that M. Méline's policy was based upon them. The mere truth that M. Méline conceived erroneously the influences which govern the

[1] *I.e.*, without a rise in prices.

formation of gold prices is in itself no more important than the truth that he believed that financiers invest no capital in industrial enterprises.[1] Such fallacies become important only when action is based upon them. M. Méline, starting from his fallacious view of the causes which govern gold prices, could argue that the restriction of imports would not harm exporting industries, except in so far as the raw materials which they used were taxed. He could believe that these industries would continue to produce and sell under the same conditions as of old. If the question how they were to receive payment when foreign goods were taxed should be raised, he might answer, that payment could always be made in money, and that the purchasing power of money would not be affected. Again, as regards the burden on the consumer, he could argue very plausibly that as every franc's worth of foreign goods excluded meant so much saved to the national income, it must be a very serious difference in price indeed which would justify the purchase of any article from the foreigner which could possibly be produced at home. In a word,

[1] "Certes la France est un des pays les plus riches si l'on entend par là qu'elle est un des pays où le capital mobilier est le plus considérable, le plus aisément mobilisable. . . . Pour ma part j'aimerais mieux que *ces capitaux improductifs* qui *dorment* dans nos grands établissements de crédit se dirigeassent du côté des entreprises du travail; on les verrait moins sans doute et cependant ils n'en existeraient pas moins pour cela."—M. Méline, in the Chamber of Deputies, May 12, 1891. The italics are mine.

if M. Méline's premisses be granted, his policy was necessarily wise in proportion as it was extreme, and could only be attacked on those points (as, for instance, the taxation of raw materials) where it was not carried out to its logical end. The fact that his premisses were fallacious does not on the other hand prove that his policy was absurd; all that can be deduced from it is that even if it be found that his policy coincided with what a statesman working from a scientific grasp of the problem would have proposed, such coincidence could only be reckoned as an extraordinary "fluke," and no credit for it would accrue to M. Méline.

Such, then, were the principles from which the French mercantilists deduced their policy, and such was their attitude towards the complicated problem of international exchange. It remains to consider the extent of their grasp of facts, and the methods by which they acquired their information. In the debate on the tariff during 1891 it was constantly complained by the free traders that there had been no "contradictory" inquiry at which witnesses could be examined *viva voce* and the value of their assertions tested on the spot. The exordium to the Bill introduced by the Government bears out this assertion (which was not denied by the protectionists in the Chamber). There we read that the Government's proposals rested upon researches conducted by the "Conseils Supérieurs" of commerce and agriculture who had despatched printed inquiries to Chambers of

Commerce, Syndicates, and other bodies representing the interests of producers. M. Méline, in his general report, states that the Commission of the Chamber made no special inquiry but studied the evidence prepared by the "Conseils Supérieurs," the replies to the circulars which had been sent out, and numerous memoranda put in by individual "interests." The inadequacy of these methods will be realised when it is remembered that an important part of the business of the Commission consisted in estimating the difference between the costs of production in France and other countries. It is doubtful whether the individual producers in any one country are, with a few exceptions, accurately acquainted with the *average* costs of production in their own country; still less do they know the average costs of production in other countries. But in any case experience has shown that to get at the truth of these intricate technical questions it is absolutely imperative to cross-examine witnesses *viva voce*. Yet this is the less important part of the matter. What is of importance is that the Commission made no attempt to inquire into the truth of the principles upon which M. Méline's policy was based. The cross-examination of the leading banking experts in any country would, of course, establish beyond question the absurdity of many of those principles. It is the business of bankers and bill brokers to negotiate foreign payments, and to buy and sell money; they know from personal experience how such transactions

are effected. The manufacturing producer and the agriculturist have no first hand knowledge of such business. Hence the absurdity of the "cant" argument, "Questions of fiscal policy are counting-house questions," unless practitioners of banking and bill-broking be included under the term. The Commission of the Chamber appointed individual members to report on the different branches of industry. The competence of these gentlemen varied, but in some instances certainly it was exceedingly low. The reporter on the woollen industry remarked naïvely, that the duties had not been much altered, and that the alterations made were not absolutely necessary. The reporter on the section "Surtaxes d'entrepôt"[1] defends his proposals as follows:—

"The industry of the nation has a real interest in the encouragement of direct importation, which, without imposing any new duty on the merchandise in question, exempts it from the charges for transhipment, agency and warehousing in the foreign country, and from the cost of carriage from the foreign country to France."

It is interesting to know on such high authority that French spinners import Australian wool *via* England out of pure philanthropy towards London agents and dock companies, and not because they get it cheaper in that way than by chartering vessels to bring it direct from Australia to France. Finally, we may hand down to posterity

[1] *I.e.*, special taxes levied on goods which are imported from some country other than their country of origin.

the case of the reporter on cotton tissues. He gives the following as the values of tissues exported and imported from France at various dates[1]:—

Periods.	Imports. Frs.	Exports. Frs.
1857—60 ...	1,600,000	51,200,000
1861—70 ...	18,800,000	51,600,000
1871—80 ...	75,000,000	47,900,000
1881—88 ...	70,000,000	75,600,000

He points out that before 1870 there was an excess of exports, and after 1870 for some years an excess of imports. He bases his appeal for increased protection largely on this undoubted fact. And he omits to mention that in 1871 France lost one quarter of her spindles and an uncertain but very large proportion of her finishing processes by the cession of Alsace-Lorraine.

[1] Omitting trade with Algeria.

CHAPTER III.

TARIFF TREATIES AND TARIFF WARS.

We have seen that the fiscal policy of nations must of necessity (and whether they will it or not) be based in part upon theoretical views of the causes of material prosperity. These views may be more or less correct, and according as they are less it is probable (but not certain) that the policy which is based upon them will be less wise. Such theoretical principles cannot, of course, give a fixed rule for fiscal policy under all circumstances any more than mechanics can decide whether bridges are to be painted red or green, or whether they are to be built—in particular cases—of stone, wood or iron. Besides the fact that different, and equally valid economic, principles may point towards different paths—in which case there must be a balancing of gain against loss in the field of wealth—it remains true that wealth is made for man, and not man for wealth, and that political and moral gains may be secured or lost by relinquishing or reaching out after increased wealth.[1]

In the present chapter, considerations of economic

[1] Thus, for instance, the greatest advantages ever attributed to Protection may be purchased dearly if they bring increased opportunities for the corruption of politics.

principle will concern us little. The advisability of maintaining a tariff for purposes of negotiation has nothing to do with economics, except in so far as it can aid us in assessing the possible gain from reduction in foreign tariffs, and the certain loss from maintaining a tariff at home. The main question at issue is: What are the psychological effects of the fear of tariff war or the prospect of tariff reductions upon other nations? Does the fear or the hope influence their policy greatly? In fact, the whole inquiry lies within the range of "politics," and, in so far as it so lies, is but little susceptible of scientific treatment.

Looking at the history of France broadly, we find that her policy as regards treaties has varied in correspondence with the wax or wane of protectionist sentiment. In the first period of reform falls the Vergennes-Pitt treaty of 1786. This was abrogated by the war with England. The succeeding period of high protection (from 1793 to 1851) has few (and no important) treaties to show. We may notice that in the course of this period, the French lost their best chance of a Customs' Union with Belgium, partly because of the hostility of their manufacturers to the scheme. It was of the same period that Sir Robert Peel was thinking when he spoke in the House of Commons of the British Government's "long and unavailing efforts" to enter into treaty relations with foreign countries. A treaty between England and France was discussed often during those years, but these

discussions bore no fruit. The second period of reform, on the other hand, produced the first "network" of commercial treaties in Europe. The second period of reaction has not destroyed this "network," but it exists on a reduced footing, and it is controlled now not by France but by Germany. To the last twenty-five years belong also the two French tariff wars—with Italy and Switzerland. The broad historical outline justifies (what would seem probable *a priori*) that tariff treaties can be negotiated more easily with a nation which is inclined towards a moderate policy than with one which is reacting towards extreme Protection. More intimate examination bears out this view. Historical evidence justifies on the whole the belief that tariff negotiation with France has been successful or unsuccessful according as feeling in France has been favourable or the reverse to a liberal policy.

In our own country, high political authority (we may instance that of Mr. Balfour) may be cited in favour of the view that the negotiations conducted by Mr. Cobden in 1859 and 1860 caused an alteration in the fiscal policy of France. This view could only subsist upon a very inadequate acquaintance with the details of the case. We have seen that the French Government in 1860 effected by treaty precisely what they had been attempting for some years past to effect by legislation. We have seen also that the suggestion of a treaty came not from the English side, but from the French. It is true

that M. Chevalier's mission was strictly unofficial, but he was a member of the *Conseil d'État*, and he received the unofficial support of the French ambassador at London. We have seen that quite apart from the fiscal policy of the French Government, Napoleon had political reasons to desire to propitiate public opinion in England. On the other hand, we have Sir Robert Peel's statement that on previous occasions—when the English reform had not been carried so far, and consequently when this country had much more to "offer"—"long and unavailing attempts" had been made to conclude a treaty. The reason why Cobden succeeded where Sir Robert Peel failed did not lie at all in the concessions which he could offer, but in the fact that meantime the attitude of the French Government to the question of reform had altered entirely.[1]

More plausible at first sight is the view that the French in their treaties with other countries in the 'sixties secured concessions which would have been impossible without the lever of differential treatment. Here again, however, we find that most of what was done was due to a coincident desire for reform in those other countries. In Belgium, a

[1] As a matter of fact the French treaty-obligation was to replace their prohibitions by duties not exceeding 30 per cent. *ad valorem*. The duties eventually inscribed in the "conventional" tariff were, on the average, equivalent to about 15 per cent. *ad valorem*. The desire of the French Government for Reform went far beyond their treaty-obligation.

reform (parallel to the French) had been in progress since 1847. In 1856, an Administrative Commission was appointed to inquire into the whole subject. It reported in 1859, and the concessions given to France in 1861 were nearly identical with the recommendations of the Commission. The Belgian Government, in presenting the treaty to the Chambers, expressed themselves as follows: "Belgium and France severally entered upon a complete revision of their tariffs; then, if we may so express the matter, they exchanged their reforms."

In Switzerland and Italy conditions were much the same as in Belgium. Switzerland was the cradle of liberal economic policy in Europe. The liberalism introduced by Cavour into the practice of Piedmont was transferred to and gathered force in the new Italy. In Germany, not only was public opinion flowing towards liberalism, but political considerations determined the Governments both of Prussia and Austria in that direction. Austria was anxious to enter the Zollverein: for this it was necessary to reduce her tariff gradually to the Zollverein level. Prussia was anxious to keep Austria out of the Zollverein, and saw her opportunity in such a progressive reduction of its tariff as would make it difficult for the more backward country to follow. We may contrast the success of Napoleon in negotiating treaties with these "liberalising" countries with his failure in dealing with a country that remained firmly mercantilist.

Spain was deaf alike to threats and blandishments, and secured "most-favoured nation" treatment from France in return for a minimum of concessions by herself. Nor does it appear that the diplomacy of France at this time was more successful than that of England, though the latter had extended the concessions made to France in 1860 to all other countries without delay. Austria absolutely preferred to conclude a liberal treaty with this country which had "so little to give," before treating with France which had "so much."[1]

The following treaties were concluded by France during this period:

With the United Kingdom	1860
„ Belgium	1861
„ the Zollverein	1861
„ Italy	1863
„ Switzerland	1864
„ Norway and Sweden	1865
„ the Hanse towns...	1865
„ Holland	1865
„ Spain	1865
„ Austria	1866

The treaties concluded by France in 1882 seem to have been governed not so much by the desire of obtaining concessions from other nations—though this, of course, was always present—as from the desire (felt by the executive) of opposing a firm barrier to the progress of the protectionist

[1] The Austrians, however, had reason to propitiate the London money market and had but just emerged from war with France.

reaction in France. The conduct by the French Government of the negotiations with England is difficult to explain on any other view. We have seen that in the first instance the French proposed as a basis of negotiation "an improvement of the *status quo* in the direction of Free Trade": this basis was accepted by the English, and in 1880, clauses were included in the Budget Bill which would have enabled the wine duties to be reduced if the negotiations with France had been concluded before the month of August in that year. The negotiations dragged on (and were more than once temporarily broken off) in consequence of the slow progress of the new "general" tariff of France. The success of the protectionist reaction made it impossible for the French to carry out their suggested "improvement"; the most they could offer was an all round reduction of 24 per cent. on the new "general" tariff, *i.e.*, something on the average nearly equivalent to the existing "conventional" tariff.[1]

It was agreed that a mixed commission should work at the assessment of the duties to be charged under the new treaty. This commission, of course, gave opportunities for compromise, and also enabled evidence on the British side to be brought forward which would otherwise never

[1] Except in so far as the occasional *ad valorem* duties of the latter—which were now converted to specific—had given room for fraud.

have reached the French. It will be observed that on the "bargain theory" of commercial treaties, the French Government went to all this trouble in order to secure a minor concession on wines, although it was generally admitted that the great concessions on wines included in the Cobden treaty had been on the whole disappointing to France.

A study of the minutes of the mixed commission shows that there was very little "*do ut des*" about the matter, as in fact the English had practically nothing to give. Sir Charles Dilke (who led the English side of the commission) has told me that he could at any time have secured a treaty slightly more favourable on the whole to this country than the *status quo*. But the British Government had undertaken to conclude no treaty which included higher duties on any important British commodity than those agreed upon in 1860. This undertaking was fundamentally incompatible with the undertaking by the French Government to confine reductions to 24 per cent. below the new "general" tariff. That tariff was *on the average* only 24 per cent. higher than the old "conventional" tariff, but *in particular instances* the difference between the two was greater. The final points of division between the two Governments were very small, and but for the undertaking given by the British Government the Cobden treaty might have been renewed, with a slight "improvement of the *status quo* in the direction of Free Trade." A comparison of the

final terms offered by the French with the duties eventually levied on British goods under the "most-favoured nation" agreement, shows that the French "offers" were in some cases sensibly better than the duties which were afterwards granted to other nations (with much more to give!) and which were applied to the United Kingdom as a "most-favoured" nation. It should be remembered, however, that the French final "offers" mostly concerned goods of special importance to this country, about which the negotiators of other countries were perhaps less concerned. It would seem at least doubtful whether any amount of bargaining power would have enabled us to do better, for the French Government gave everything which was not incompatible with its undertakings to the protectionists. If we may judge by Swiss experience later it would have needed a tariff war of some years' duration to bring the protectionists to an altered frame of mind, and it would certainly seem that a tariff war at this particular time (*i.e.*, at the beginning of the protectionist reaction) would have embittered feeling greatly, and even if it had resulted in small concessions for the moment would have contributed to a wave of feeling making higher duties eventually inevitable.[1]

As regards other countries, the negotiations

[1] So the tariff war with Italy seems to have aroused some "patriotic" enthusiasm for Protection.

in some cases went upon much the same lines as those with England. In general the French were anxious to make treaties, and to that end were prepared to offer concessions of similar magnitude to those offered to England. On the other hand the French negotiators could make very little impression upon countries where the protectionist reaction had set in. With Austria a simple "most-favoured nation" treaty was concluded; in other words the French, in spite of their "bargaining power," were forced to accept without modification the protective tariff passed by that country in 1878. Much the same was the result as regards Italy. In that country also a reactionary tariff had been constructed in 1878. The French succeeded in renewing the treaty, and some minor concessions were made on both sides, but in general the French had to be content with a settlement considerably less favourable to themselves than that of the 'sixties. But whilst it cannot be maintained that French negotiation was very successful at this time, it must be remembered that the French Government was anxious to conclude treaties without caring much what concessions it was possible to obtain. To tie up the duties on manufactures, and on as many raw materials and agricultural products as was consistent with their undertakings, seemed to the Government the best way of stemming the protectionist reaction.

Whether they were right in this view (and with

this question is connected the question whether the British were wise or foolish in refusing to continue the Cobden treaty) it is hard to say. On the one hand, it is certain that but for the treaties many more changes in the protectionist direction would have been made during the 'eighties. This is plain from a consideration of the increases in those duties which were not tied up by treaties. On the other hand, it is equally plain that protectionist feeling was irritated by having to wait, and that in particular a prejudice against the policy of treaties in general grew up, which may subsist and hamper liberal advance in the future, even if the enthusiasm for Protection subsides. In particular it is plain that the lapse of the Cobden treaty was not altogether a bad thing for the United Kingdom. Complaints that France had been "sold" to England were common during the life of the treaty, and their *raison d'être* has, of course, disappeared since its abrogation.

The treaties of 1882 are hardly a fair test of what negotiation can effect since, as has been said, the Government desired, for ulterior reasons, to conclude treaties at any, not too great, cost. Since then the French have been more concerned to persuade foreign countries to refrain from retaliating against their increased duties than to reduce their duties in favour of the French. The system of maximum and minimum duties (as was explained in Chapter I.) necessarily diminishes

the advantage of a treaty to foreign countries, and so makes it less likely that concessions will be obtained. On the whole, experience shows that whilst the protectionists have not obtained all they hoped (or professed to hope) from the system, it has not caused such a break-up in the commercial relations of France as was predicted by many Free Trade critics. The latter effect is due, however, principally to the fact that the system originally intended has not been carried out. Thus the French have been obliged to guarantee "most-favoured nation" treatment, and in many cases to tie up the duties in the minimum tariff for the life of a treaty. The Government saw from the first that so much was necessary, and their foresight was justified. On the other hand, as regards the actual rates of duty charged, France has, generally speaking, obtained "most-favoured nation" treatment without making concessions. In other words, the "bargaining power" and threats of foreign countries have had very little effect upon the French tariff. Lower rates than those of the minimum tariff have been granted by France up to the present time in three instances: to Italy, after a tariff war and period of differential treatment which lasted altogether for ten years (1888—1899); to Switzerland, after a tariff war which lasted for three years (1893—5); and to Russia (where the decision was influenced by political considerations). In no case were the concessions made by the French considerable. The trade

between France and Italy and between France and Switzerland has hardly benefited from the effects of the tariff wars, as the following figures will show :—

	French Imports into Italy (Italian statistics). £		Italian Imports[1] into France (French statistics). £
1880—1887 ...	12,000,000 ...	Before the war ...	14,300,000
1888—1898 ...	6,000,000 ...	During the war ...	5,300,000
1899—1901 ...	6,600,000 ...	After the war ...	6,000,000

The shorter war with Switzerland did not dislocate trade so seriously, but here, too, nothing seems to have been gained by it—especially for the attacking party, viz., the Swiss.

	Value of French Exports to Switzerland. Million frs.		Value of Swiss Exports to France. Million frs.
1890 ...	226	Before tariff of 1892	123
1891 ...	214		124
1892 ...	179	1st year of tariff of 1892	102
1893 ...	111	Tariff war	74
1894 ...	110		73
1895 ...	138		74
1896 ...	177	After tarift war	81
1897 ...	192		83
1898 ...	203		83
1899 ...	214		96
1900 ...	207		109
1901 ...	205		109
1902 ...	217		111

It is hard to believe that in either case the value, whether of the concessions finally obtained, or of the experience of what tariff war means, outweighed the loss incurred during the progress of the war.

[1] Figures extracted from tables in "Reports on Tarift Wars between certain European States," Commercial No. 1 (1904); *q.v.* also for a detailed discussion of these "wars."

CHAPTER IV.

THE PROTECTION OF AGRICULTURE.

THE "problem of agriculture" in France was first heard of towards the end of the 'seventies, and became acute during the 'eighties. It presented the same broad features as those which are familiar in England and Germany. It has been complicated, indeed, in France by extraneous influences such as the disease of the silkworms and the disease of the vines, which might have happened equally during a period of rising prices; but such additional evils, grave though they were undoubtedly, and though at particular crises they influenced the policy which French statesmen adopted, do not deserve to be reckoned amongst the main causes at work.

The trouble in France, as elsewhere, centred in the persistent fall in the prices of agricultural produce, due in part to the general appreciation of gold, but due principally to the cheapening of transport and the appearance on the home market of trans-oceanic cereals and meat. How was France placed for dealing with this problem? In some respects better than other countries, in others worse.

If the prices of agricultural produce in France be examined, it is seen that whilst the price of

wheat and most cereals had risen by the early 'seventies to the figures that ruled in England, the prices of meat had not risen near so high.[1] The reason of this was not, of course, any superior fertility of the soil in France. What advantage there may have been in this direction was certainly outweighed at this time by superior farming in England. The true explanation is to be found in the fact that, whereas the prices of some commodities were set by the English market, the prices of others were not. Some commodities rose in price to the levels attained in England, and others did not rise so far because the market for the former was already a world market, or at least a "continental" market, whereas the difficulties of transporting the latter were still so great that the market remained local. In the case of wheat the early English free traders were in the right when they prophesied that the abandonment of Protection would tend to raise the price of that cereal all over Western Europe towards the price that ruled in England, as well as to depress its price in England to the level of other countries. Prices in England fell somewhat, and prices on the Continent rose to meet them. What happened in the case of wheat did not, however, happen in the case of meat. The fall in the price of meat which was to be expected in

[1] There are no statistics of the prices of poultry and dairy produce in France, but the evidence available is in favour of the view that they were cheaper there than in England.

France after 1875 was, therefore, far less important than the fall to be expected in the United Kingdom, and less also than must be faced in France on wheat, oats, and rye.

And as the situation, from the producer's point of view, was less serious in France than in the United Kingdom, so, *a fortiori*, was the proposition that agriculture would be ruined, more ridiculous. What has not taken place in England—viz., the ruin of agriculture—would certainly not have taken place in France ; for the conditions which favour specialisation upon manufacturing industries were, and are, far more potent in the former than in the latter country.

As regards this point, it is evident that a purely agricultural country would have nothing to fear from American competition, except in so far as it harassed its export trade in neutral markets. Denmark has not suffered from agricultural depression despite its Free Trade system, and agriculture in Russia has been menaced by Russian manufacturers, but not by American farmers. The reason of this is plain. The mere fact that there is a country which produces food—even if it be at a lower labour cost—is in itself no menace to the agricultural industries of another country. It becomes a menace when that other country is favourably situated for carrying on an expanding export trade in manufactures or sea-carriage. In such a country the exporters compete with the agriculturists to supply the home market

in food. The former are ready to send out their goods and bring back foreign food in exchange; the latter are ready to raise the food on the spot. If the conditions of the former class improve relatively to those of the latter, that is, if it becomes possible to procure a certain quantity of food more cheaply by the method of exchange than by the method of home production, then a certain percentage of labour and capital which would otherwise have been directed to the production of food at home will be directed instead towards the production of manufactures which may be exchanged for foreign food. The immediate cause, therefore, of the importation of foreign food into any country is not the fact that it can be produced at less labour cost abroad than at home, but that the manufactured goods or services which are exchanged for it can be produced, at home, at less labour cost than the food itself. What appears to be nothing more than competition between the home and the foreign agriculturist is also fundamentally competition between the home manufacturer for export and the home agriculturist. This competition is governed by the facilities which each country offers for the agricultural and exporting industries respectively. An improvement in agricultural methods, or the determination of a rival country to protect its own manufacturers, will give an advantage to agriculture; on the other hand, an increase in the pressure of population upon land, a cheapening

of ocean freights, or the discovery of some new industrial method, will work on the side of the export industries.

In some countries the tendency in one direction or the other is very clearly marked: in England and Wales, for instance, the excellence of our farming and the tariffs of food-producing countries on our manufactured exports have not availed to turn us from the path of procuring food by exchange rather than by direct production at home. The same is true in Germany in spite of the duties on corn and meat. Denmark, on the other hand, remains primarily an agricultural country, as also does Russia, though the former admits foreign food (or would admit it if it came) at nominal duties, and the latter has spent much pains and money in the attempt to manufacture for itself. France stands as it were midway between the extremes, possessing manufacturing potentialities less striking than those of England and Germany, but being rather superior to them in respect of climate and soil. Add to this that a considerable proportion of French land is farmed by its proprietors, who are genuinely attached by affection, superstition, or prejudice to the life which their fathers led, and it will be seen that the chance that agricultural production could be appreciably diminished by the competition of manufacture for export is sufficiently remote.[1]

[1] It must be remembered that some part of the drift from country to town in England is due to the social attractions

So much is this the case that, as we have seen, in the third quarter of the nineteenth century very few intelligent Frenchmen disputed the futility of protecting agriculture. Men were divided in opinion as to whether, supposing the protection of manufactures were abandoned, the country would relapse into a purely agricultural state, but it was not suggested that any measure for the freeing of trade could be anything but a benefit to the agriculturist.

Now it cannot be contended that the main factors in the situation were materially altered by the cheapening of freights, excepting in regard to the principal cereals. The prices of wheat, rye, and oats, as was said above, had attained in France at the end of the 'sixties the prices ruling in the United Kingdom. In fact the trade in wheat had become "continentalised": the markets of the countries of Western Europe were knit together closely: prices in England, France, and Germany rose and fell together. The growing demand for wheat in the United Kingdom had acted directly or indirectly upon prices in France and Germany, and the demand in those countries also was growing steadily. This situation caused wheat growing to be extended to less and less fertile land; and, in spite of the increasing use of machinery and scientific method, the average yield

which town life offers rather than to the prospect of increased wages. A system of peasant-proprietorship does something in France to neutralise the magnetic influence of the streets.

of wheat per acre sown remained stationary in France from 1850 to 1880. No doubt the land which was producing wheat in 1850 produced on the average appreciably more per acre in 1880; but in the interval between 1850 and 1869, the year before the Franco-Prussian war, 5,000,000 additional acres in round numbers (an increase of roughly 33 per cent.) had been added to the crop; much of this land must have been of inferior natural fertility; and thus the average yield per acre remained stationary. Some idea of the extent to which the utilisation of inferior land retarded the progress of the average yield may be gathered by examining the figures since 1880. From 1880 to 1900 the acreage under wheat has varied very little, but the average yield per acre has increased steadily—and this in spite of a decline in prices.

That some check to the steady increase in the area under wheat was desirable in the interests of the nation as a whole—however hardly it may have pressed upon individual wheat growers—will only be questioned by those who measure national prosperity by the growth of unearned increment. From 1862 to 1882 the selling value of land under the plough increased 20 per cent.: we cannot say how much of this increase was due to land under wheat, but it is significant that of the land under cereals, wheat counted for 42 per cent. in 1862, and for 47 per cent. in 1882. A parallel rise in the value of land was seen, of course, in Germany

and in the United Kingdom. An indefinite continuation of such conditions must have resulted in the landowners in all countries imposing intolerable burdens of unearned increment upon the community generally.

If we may judge by the case of the United Kingdom, wheat was the only one amongst the cereals where the situation was serious. The acreage under oats and barley in the United Kingdom has not been affected to near the same extent as the acreage under wheat. And if the numbers of our live stock have kept up pretty well, in spite of the enormous decline in the price of meat, how much more would this have been so in France, where the potential fall in price was so very much less.[1]

Moreover, it must be remembered that the fall in the prices of the finished article gives a very exaggerated picture of the difficulties of the producer. It must be remembered that some of the commodities mentioned are only in part the finished article of the agriculturist; in part they

[1] We may note the following alterations in the acreage under wheat, barley, and oats in the United Kingdom:—

	1873-1877.	1896-1900.	
Wheat	... 3,490,000	... 1,950,000	acres.
Barley	... 2,640,000	... 2,170,000	,,
Oats	... 4,190,000	... 4,170,000	,,

There were rather more cattle and pigs and rather fewer sheep returned in the latter than in the former period, and allowance must be made for improvement in the breed.

are his raw material. And meanwhile other elements in his cost of production were falling rapidly. M. Zolla in his book "La Crise Agricole" shows that between 1877 and 1898 nitrate of soda and bone superphosphates fell in price by 50 per cent., and that agricultural machinery fell 15 to 20 per cent. between 1875 and 1892, and only recovered this fall in consequence of the increased protection for manufacturers enacted in that year. There is further no reason, except the artificially high prices of sugar, machinery, and tin plates, why the French should not have developed a great fruit-preserving industry. For dairy farming, again, the natural conditions are as favourable in many parts of France as in Denmark. And, in conclusion, there is the wine industry.

This examination of the natural potentialities of France should show that there is no reason in *nature* why French agriculture should have suffered much from foreign competition in the last twenty-five years. Some contraction in the acreage under wheat was probably inevitable, unless Protection were introduced. But some contraction in this direction was to be desired in the interest of the country as a whole; and the loss on this side would have been more than made good by gain in other directions.[1]

[1] It may be noted that the admission that the acreage under wheat would have fallen in France appreciably is rather a liberal present to the protectionist argument. It will be remembered that there was no serious protection

If we turn now to the artificial circumstances which have influenced agriculture in France, the first and most important is indubitably the tariff. We have seen that between 1860 and 1875 the majority of Frenchmen acquiesced in the protection of manufactures—and in the consequent burden upon agriculture—because they were afraid that but for the tariff French industry would relapse upon agriculture, trade, and wine-growing. We are not here concerned to discuss what was urged in favour of this view. What

of wheat in France until 1885; the duty of 1s. 1*d.* a quarter cannot have had much influence on the acreage devoted to the crop. Yet between 1873 and 1884 the acreage increased slowly as follows:—

FRANCE.

Periods	1873-1877.	1878-1882.	1883.	1884.
Thousand hectares under wheat ...	6,896 ...	6,905 ...	6,803 ...	7,052

Since the introduction of Protection the acreage has fluctuated about 6,920,000 hectares. If we compare the acreage under wheat in the United Kingdom it will be seen that nearly half of the total decline between 1873 and 1900 fell in the years between 1873 and 1884.

UNITED KINGDOM.

Periods	1873-1877.	1878-1882.	1883.	1884.	1896-1900.
Thousand acres under wheat	3,490	3,160	2,713	2,749	1,950

It must, however, be remembered that (as price comparisons show) the full force of American competition was felt rather earlier in the United Kingdom than in France, presumably because it took some time to extend trade connections. The above figures therefore rather overstate the case on the side of the French free trader.

falls to be considered now is the course that was adopted when men began to speak of the invasion of the home market by foreign food. It is plain that if action were decided upon two paths presented themselves. Agriculture, as things were, was taxed heavily for the benefit of manufacturers. It was possible, therefore, to improve the position of the agriculturist either by removing this taxation—*i.e.*, by abolishing in whole or part the protection of manufactures—or by compensating agriculture for the taxes paid to manufacturers by an additional system of taxation designed to hamper the manufacturer and to assist the agriculturist. As has been said, the Government at first inclined towards the former of these courses. Thus, when M. Léon Say was sent to London in 1879 he was charged to propose "an improvement of the *status quo* in the direction of free trade." The Government was defeated, however, by the clamour of the protectionist manufacturers. The utmost it could do in 1881—2 was to prevent any considerable increase in the protection of manufactures, and to postpone for a few years the serious protection of agriculture; and experience showed that public opinion was increasingly favourable to the adoption of the second alternative. The result was the increased protection of agricultural products in 1884, 1885, and 1887, and the tariff of 1892. We have already examined the claims of M. Méline and his followers to rank as scientific statesmen: only the broad outlines

of their policy in relation to agriculture will be considered here.

M. Méline set himself to promote at all cost the growing of corn and the raising of cattle, without much consideration of the reaction which his duties would effect upon the home demand for those and other commodities. The initial and most serious error in this scheme was the determination to protect wheat. Now in spite of improvements in the methods of production, and in spite of the fall in the cost of machinery and artificial manures, the price of wheat grown in France was in the ten years which preceded the duties of 1885 almost exactly the same as it had been during the years 1851—60 (which included the scarcity years during the Crimean War), and higher than it had been during the years 1841—1850. Since 1885 it has fallen somewhat, and would have fallen more but for the protective duties; but considering the fall in the cost of production, and the general cheapening of manufactured goods and transport, it can hardly be contended that French wheat-growing, if left unaided by the State, would have suffered from comparison with any preceding period except the years 1860—1875. That the accidental circumstances of those fifteen years, when the pressure of population in Western Europe forced wheat-growing on to worse and worse land, deserved to be maintained by an artificial buttress of scarcity would seem a view beneath criticism were it not

held by many among the landowners, farmers, and educated classes generally of France, Germany, and the United Kingdom.

The next most important amongst M. Méline's miscalculations was his failure to perceive the necessary connection between the price of corn and the demand for and cost of production of meat and dairy produce. It is a commonplace amongst social observers that an enhancement in the price of the staple diet of the people diminishes the consumption of more expensive food. In so far as the artificially enhanced price of wheat has not led the French to eat more potatoes it has led them to eat more bread: in both cases it has tended to restrict the consumption of meat (see Chapter IX.), and presumably of dairy produce. This tendency is intensified by the taxation of those cereals which form the raw material of the meat producer. The effects upon the home production of meat may be remedied in part by import duties, but not altogether. In nine cases out of ten an expanding home market *plus* foreign competition is better than a stationary demand under Protection, especially when Protection so far raises the cost of production that the foreigner continues to compete in spite of the duties.

And while M. Méline's duties would have been of doubtful advantage to French agriculture if they had stood alone, their use was largely discounted by the coincident increase in the duties on manufactures. Not only did M. Méline insist

that his countrymen should produce corn and cattle: he determined that they should neither "can" fruit nor distil spirits from maize. He founded many agricultural societies of a *quasi* co-operative character, but he took care, by increasing the cost of machinery, to deter them from engaging in co-operative industry. If it is wise at any time to promote the co-operative purchase of agricultural machines which are beyond the purse of the individual small holder, it is scarcely wise to choose the same moment for an artificial increase in the cost of the machines.

Passing from the tariff, the next most important amongst accidental complications of the agricultural crisis in France is the system of land tenure. In a country where the leasehold system prevails, the distinction between the "natural" rent of land and the return to capital and labour is fairly plain, though even in such countries the problem is usually complicated by the landowner owning some of the fixed capital with which the farms are worked. In spite of this, it is possible to draw a broad, and on the whole justifiable, line between the "sleeping partners," *i.e.* the landowners, and the workers, *i.e.* their tenants. It can be shown conclusively that though where the leases run for long periods the landowner can for a time shift a good part of the burden of a fall in prices upon the farmer, yet after a time things right themselves: rents are reduced and farmers farm again at a profit, though

not in all cases producing the same commodities as before. The situation of the landowner is of course unpleasant: his rents are less than they were in the days of his predecessor, and if that predecessor saddled the estate with jointures and marriage portions, estimated according to the rents prevailing in his own time, the share remaining for his heir may be very little or nothing. The hardships of the heir's position become yet plainer when his predecessor invested his money in land at "top" price instead of in consols at "bottom" price.

Nevertheless, except in countries (such as Prussia) where the landowners have a peculiar influence upon the course of legislation, it should be possible to make the heir pay for the father's mistake, and to avoid any admission of the community's responsibility in the matter. The case is different, however, in a country where a great part of the soil is farmed by its proprietors. Here the distinction between the rent of land and the returns for capital and labour is not patent upon the surface, since the same individual collects both, and in general keeps no satisfactory accounts. That the enjoyer of unearned increment should be compelled to reduce his standard of living, in consequence of a decline in the rental value of land, will not seem to be a national misfortune to anyone but his class associates, his family, and his tradesmen: that the same thing should happen to a *bona fide* producer necessarily stirs wider circles of

sympathy. Yet the distinction is at best purely sentimental. Between 1860 and 1875, fate decreed that the French nation should pay a larger and larger unearned dividend to the proprietors of agricultural land, whether they worked it themselves or leased it to others: from 1875 to 1900, fate gave back to the nation something of what it had taken. From 1860 to 1875, no landowner pitied the nation; why did any citizen pity the landowners from 1875 to 1900?

The reason, of course, is that a considerable deterioration in the position of a limited number of individuals is at once more obvious and sometimes does more harm for the moment than an equal disaster when spread amongst the general body of the nation. The fact, however, that of two evils, one transitory, the other permanent, the transitory is the more patent, is not a sufficient reason why the State should remedy it artificially at the cost of making the evil which is not seen permanent. The patent sufferings of the landowning agriculturists in France may explain in part the policy which the nation adopted; they cannot properly be urged in defence of that policy.

A further complication arising out of the French system of land tenure is this. Not only did it tend to obscure the relation between rent and the returns to labour and capital, it also worked in favour of ignorant and conservative methods. The small holder in France has the defects of his qualities. He is among the most industrious and

dogged of men; he is also among the most pig-headed and ignorant. His industry leaves no time for his own education and too little for the education of his children. And the fact that he owns his own land enables him to make up for inferior methods by over-exertion and underfeeding. His aversion to scientific method is said to be gradually yielding to the efforts of agricultural syndicates and travelling lecturers, whereby all authorities agree that much progress has been made in the past ten years. But unfortunately the tariff legislation preceded the education, and he is still being artificially driven by the tariff towards the production of cereals—*i.e.* in the least desirable direction—and away from co-operative manufactures in which he would find his strength. Small farming of cereals is almost inevitably expensive farming; fruit preserving and dairying would almost inevitably be lucrative. Yet the French, when offered the opportunity of dispensing with that part of their corn crops which was grown uneconomically, and substituting the jam which might be made in France as well as in England—one would imagine—and the dairy farming which was already established in Brittany, and might have been expanded indefinitely, determined to give a bounty to corn growing to the detriment of dairying and fruit preserving.

It must not be assumed, of course, that the small holder derives any benefit from the duties on corn. It has been shown pretty conclusively

that holders of less than 12 acres grow on the average less wheat than suffices for the consumption of themselves and their families. M. Léon Say examined a rural commune in the department of Indre-et-Loire in 1881, and tabulated the following figures:—

Inhabitants	2,275
Households	634
Households producing no wheat ...	314
Households consuming all the wheat they produce	240
Households selling more wheat than they consume	80

Those 80 households which alone produced more wheat than they consumed sold between them 4,950 hectolitres: eight of them alone sold 3,000 hectolitres.

Now it is plain that a farmer who produces less wheat than he consumes, or only enough for his own consumption, cannot gain by the duty. If he keeps the wheat in his own barns, no money passes: if he sells he must buy back at a proportionate price. A large number of French wheat-farmers are so situated. But this fact will not deter them from voting in favour of duties upon wheat. For the most part they sell their crops at harvest and buy back gradually according to their requirements throughout the year; and it is easy to understand that an uneducated man would wish to get as much money as possible by his sale, and would have difficulty in realising that the slightly

increased amounts of his disbursements would cause them to add up—taking the year together —to as great a sum.

It can hardly be doubted that one of the most serious blows dealt to French agriculture has been the policy pursued in regard to sugar. Here, as in most cases where the choice lay between removing a burden on an industry and placing additional burdens on other industries, the French chose the more expensive course. The root of the difficulties of the French sugar growers lies in the slow expansion of the home demand. A reduction of the excise on sugar would have expanded the home demand; the grant of a bounty has left the home demand where it was, and has helped to make it possible for French fruit to be exported to the United Kingdom and there made into jam with French sugar.[1]

The producers of wool in France have suffered in common with the sheep farmers of Germany and the United Kingdom from the competition of Australasia. In 1891 it needed all the influence of the Government and of M. Méline himself to prevent the extremists from placing a duty on foreign wool to the detriment of the greatest textile industry in the country. The complaints were in great measure exaggerated, since the sheep farmers had for many years been tending more and more

[1] The relative strength of the British position has, of course, been considerably weakened by the recent Sugar Convention.

to the greatest possible production of meat rather than of wool, as has been the case also in the United Kingdom. Here, however, they are hampered by the slow expansion in the demand for meat which again is principally due to the heavy food taxes.

The wine industry stands apart from other agricultural industries in France. In early days wine growers were ardent free traders. Their conversion to Protection was due principally to the accidental disturbance of the industry by the phylloxera. During the years 1860 to 1870, there was an enormous increase in wine growing, due partly to the treaties of commerce, but principally to the increase in French consumption which followed on the building of the railways. Subsequently the phylloxera attacked and destroyed great numbers of the vines. There followed a parallel decline in the production of wines. After various experiments (both official and private), it was discovered that American vine stocks resisted the pest. The Government at first opposed this remedy on the ground that domestic vineyards ought to be cured with domestic vine stocks. One remembers a similar incident in the history of Naäman the Syrian—possibly the earliest literary expression of protectionist sentiment. Eventually the Government realised that the waters of Jordan, *i.e.* the American stocks, were more efficacious than the domestic article. They accordingly pressed on the introduction of the

foreign stocks with commendable zeal. Presently the corner was turned. But the French wine producers—after expending enormous sums in restoring their vineyards—discovered to their disgust that meantime the foreigner had raided their market. French consumers had demanded wine and French tradesmen had provided them with "various" drinks. First the imports of genuine wine from Italy and Spain had grown greatly—in the former country especially the demand from France gave a considerable impetus to the wine industry: methods were improved, and Italian wines began to dispute the markets of France, Switzerland, Germany, and even England. Secondly, there had been a great increase in the production of imitations of wine, manufactured from potato spirit and raisins, currants and dried figs, and these imitations had become popular in many French towns, since the manufacturers made up in strength what was lacking in flavour. Another method which found favour was to dilute with water a mixture of potato spirit and Spanish wine on its arrival in France to a compound, one part water, one potato spirit, one Spanish wine.

One may sympathise heartily with the French wine producers, both in their industrial capacity and as temperance advocates. Wine made out of raisins and potato spirit may be perfectly wholesome, but it sounds abominable. So far as the present writer has been able to discover, the Government made no attempt to determine by expert

inquiry whether or no these substitutes were more deleterious than *vin ordinaire*, and from an economic point of view this hardly affects the question —unless, indeed, it could have been shown that they were appreciably more wholesome than wine. *Prima facie* the economic case in favour of Protection for French wine at this period had considerable strength. There was no reason to suppose that the foreign growers would be able permanently to dispute the French market. Their footing on it was due entirely to a temporary calamity, and the probability was that they would eventually be driven out. But for a period of years they would be able to hamper the French producers seriously and probably to retard their re-establishment. It will be seen that the case is analogous to that supposed in the "infant industries" argument—with this addition, that the French, knowing the past, were morally certain of the future; whereas no infant industry can be more than nearly certain.

We may conclude that "in theory" the French were absolutely justified on economic grounds in protecting their wine growers. It remains to be considered how far the course actually adopted was wise—first, in itself, and second, in its influence on the general course of legislation. As regards the first it is plain that the imposition of a duty was likely to restrict the home market by keeping down individual consumption; and that this would work towards the production of adulterated and inferior wines in France which was not at all

desirable in the interests of the trade. Secondly, the protective duty ministered equally to the needy and to the prosperous wine-grower—to him who had sunk much new capital in restoring his vine-yard, and to him who had sunk little, or had escaped the disease entirely. Thirdly, there was little prospect of finality. All these unnecessary evils could have been avoided by the payment of a carefully regulated bounty on production, paid only to those growers who had suffered from the phylloxera and in proportion to their losses, and coupled with the understanding that it should cease to be paid after ten or fifteen years. As it is the "phylloxera duty" will probably be still bearing fruit fifty years hence in high prices to the consumer, careless production, and inferior wine.

The influence of the "phylloxera duty" on the general policy of the country was equally unfortunate. The demands of the wine growers were exploited by all the other protectionists in France. On all hands protectionists rejoiced that now no single French industry existed which did not demand State aid. It would be too much to say that the adhesion of the wine growers to the Protectionist Alliance turned the fate of the struggle between Free Trade and Protection, but "the capture of the South" was one of the brightest jewels in M. Méline's crown.

CHAPTER V.

PROTECTION AND PRICES.

THE influence of protective duties on prices cannot be satisfactorily demonstrated by a comparison of prices in a free market with prices in a protected market. Such comparisons usually show a difference nearly equal to the amount of the duty—sometimes more than the amount of the duty—excepting when the domestic producers in the protected country can furnish practically the whole supply demanded at a price somewhat less, or it may be considerably less, than the price in the free market plus the duty. Excepting such cases a difference in price equivalent to the duty will usually be found, but this does not show that the duty is paid by the consumer. On the contrary, the discussion must be carried on to a great extent independently of the observed difference in gold prices. Let us consider a case. We will suppose that a certain country (A) imports all its staple food from another (B)[1] and sends in exchange mixed cargoes of general goods, any of which could be provided at little extra cost by the domestic producers in B. If B levies duties upon the goods

[1] And could not get it from any other source.

received from A what will happen ? The exporters in A will be unable to raise their prices against the consumers in B, since if they did so they would at once be undersold by the rival producers in B. On the other hand, A *ex hypothesi* cannot dispense with the food which comes from B. Hence, A, being no longer able to send goods, must begin to pay in gold. The sequel to this will be a decline in the gold prices of A's merchandise, and this decline will continue until A is enabled to send in goods over B's tariff without raising the price to the consumer in B. In this case it will be seen that practically the whole weight of B's import duties falls upon A. Consumers in B get the same quantities of A's goods as they used to do for the same expense of their own labour, although the importer pays duties on them to the Government. The producers in A, on the other hand, have had to put down their prices and send to B a greater quantity of their goods in return for no greater quantity of B's goods.

It will be seen that all hinges upon the supposition that the goods which B exports are both a monopoly and indispensable to A, whereas the goods which A exports are not a monopoly and are not indispensable to B. In considering, therefore, whether a particular country has any chance of throwing the weight of its import duties on other countries, we must begin by considering the nature of its exports and imports. We must judge whether the former are monopolised by it and

indispensable to other countries, and whether it can easily dispense with the latter. Now, in the case of France it is clear at once that with the exception of a few lines in high class vintages and certain fashionable Paris goods and textiles she has no monopoly in the production of the goods which she exports. On the other hand, there is no reason to suppose that French producers could supply at only a slightly increased labour cost the goods which she imports. We should not be justified *a priori* in assuming that the conditions are present which enable a country to tax the foreigner to any serious extent. And that France has not, in fact, been able to do so emerges clearly enough from a study of the course of French trade. If the argument above be considered it will appear that in a country which succeeds in throwing its duties on the foreigner Protection does not protect. The argument supposed, in fact, that the foreign goods were not kept out—that the foreign producers continued to send them in, but received lower prices. Now it will appear in a future chapter that the French have achieved considerable success in excluding foreign goods, and in proportion as they have succeeded in this we may conclude that they have failed to tax foreign nations. The ground being thus cleared we may return to the study of comparative prices in the French market and in our own country, for the foregoing analysis justifies us in supposing that *in this particular case* the difference between the prices in the two

markets measures nearly enough the cost of Protection to France.

It cannot be expected that the average of wheat prices all over France will always differ from the average of prices all over the United Kingdom by the exact amount of the French duty, since only some of the French markets are properly comparable to English markets. There is not much exaggeration in saying that the whole of the United Kingdom—at least, the whole of England—reacts directly to fluctuations in the prices of the world market. The same cannot be said of France. Great parts of this country are more than self-sufficing—they export wheat to other parts of France and even sometimes over the border. They meet foreign competition not directly in their own market, but indirectly in so far as they send wheat to markets an appreciable part of whose supply is drawn from foreign countries. Such an indirect reaction is necessarily liable to lose some of its force before it reaches the several centres. In spite of the cheapening of transport, the progress of telegraphy and the increase of middlemen, some part of the shock wastes itself *in transitu*, and a rise in the price of wheat at Paris does not necessarily generate an equal rise in all other parts of France. So where an average is struck between the prices ruling in markets which are directly in touch with the world market and those which are only indirectly in touch it necessarily happens that the mean shows certain divergences from either

extreme. The French producer in distant provinces will not always secure the same rise in price in consequence of a duty as the producer near the port where foreign wheat is arriving or the main railways which convey it to the great industrial centres. *Mutatis mutandis*, the same is true of all countries, including the United Kingdom—but in the latter country in a proportionately less degree than in France, as our dependence upon foreign food is greater than hers.

Experience has shown that in years in which France has to call upon the world for considerable supplies the prices in England and France differ by the full amount of the duty or more. In years when France is more nearly self-sufficing the difference between prices in the two countries is less.

The following table is extracted from the "Memoranda" of the Board of Trade:

EXCESS OF FRANCE OVER UNITED KINGDOM.

	A. Excess of Average Price of Wheat per qr.	B. Excess of Import Duty on Wheat per qr.	Difference between B and A.
1. Years of Minimum Importation.	s. d.	s. d.	s. d.
1895 ...	9 8	12 2½	2 6½
1896 ...	7 2	12 2½	5 0½
1899 ...	9 3	12 2½	2 11½
1900 ...	6 9	12 2½	5 5½
1901 ...	8 6	12 2½	3 8½
Average ...	8 3	12 2½	+ 3 11½

EXCESS OF FRANCE OVER UNITED KINGDOM—*continued.*

	A. Excess of Average Price of Wheat per qr.	B. Excess of Import Duty on Wheat per qr.	Difference between B and A.
2. All other Years of the Series.	s. d.	s. d.	s. d.
1883 ...	2 8	1 1	−1 7
1884 ...	5 8	1 1	−4 7
1886 ...	7 6	5 2¾	−2 3¼
1888 ...	11 11	8 9½	−3 1½
1889 ...	12 4	8 9½	−3 6½
1890 ...	12 2	8 9½	−3 4½
1893 ...	11 5	8 9½	−2 7½
1897 ...	13 7	12 2½	−1 4½
1898 ...	11 8	12 2½	+0 6½
Average ...	9 11	7 5½	−2 5½

NOTE.—The years 1885, 1887, 1891, 1892, 1894, 1902, and 1903 are excluded because changes in duty either in France or the United Kingdom took place in those years.

"Minimum Importation" = less than 30lb. per head of population.

Examination of this table shows that the effect of the duty is to accentuate the fall of prices in plentiful years, and to accentuate the rise in years of scarcity. In plentiful years the farmer who has grown wheat in hope of a price equal to the world price plus the duty finds the artificial market too narrow for the supply. In bad years, on the other hand, the sudden resumption of trading relations on an increased scale causes a rise in price greater than the duty. If the two series of years be compared together, it will be found that, over the whole period, the price in France was, on the average, higher than the price in England

by slightly more than the duty. The greater fluctuations in the French price are in themselves an added detriment to the consumer, and diminish in some measure the advantage of the producer.

As regards the relation between the price of wheat and the price of bread, the following anecdote is worth recording. When the duty on wheat was first imposed, the protectionists claimed that it would not affect the price of bread: accordingly, no corresponding duty was placed on bread. The speedy result of this course was an enormous increase in the imports of bread from Belgium. Bread imports were:

1887	...	...	...	4,600,000 kilogs.
1888	...	...	...	12,000,000 ,,
1889	...	...	...	28,000,000 ,,
1890	...	...	...	30,000,000 ,,

Scandalous free traders asserted that the Government in the first instance attempted to check these unwelcome imports by ordering the customs' officials to cut every loaf into four parts in order to ascertain that it contained no smuggled lace. However this may have been, the protectionists determined, after 1890, that it was better to admit that the duties raised the price of bread than to allow the national baker to be "dumped" upon by the Belgian.

The influence of the duties on the price of barley, oats, and maize is shown by the following

tables: the prices in the period 1896—1900 are taken as 100.[1]

		1881—1885	1886—1890	1891—1895	1896—1900
Barley	France ...	111	101	98	100
	England ...	125	108	101	100
Oats	France ...	109	101	104	100
	England ...	125	104	106	100
Maize	France ...	117	99	102	100
	England ...	158	129	124	100

Serious protection began in 1885; it will be seen that since the quinquennium 1881—5, the prices of all three commodities have fallen considerably faster in England than in France.

It is far more difficult to compare the prices of meat than the prices of corn, differences in the qualities sold making it impossible to hope for any accurate result. When we are told that beef is dearer or cheaper in London than in Paris, it is seldom possible for our informant to know the true relation between the qualities whose prices he is comparing. Nevertheless, the comparison of the course of meat prices in two separate countries has a certain value if the evidence be not pressed too hard. We may not be able to assert that a

[1] In the years 1881—5 the price of barley was very much higher in England than in France. In the years 1896—1900 the price in England was slightly less than in France. It is probable that the qualities differ considerably in the two countries. It will be remembered that the most expensive qualities are used in England for "malting," and that very little beer is made in France.

particular quality of meat costs more or less in one country than the same quality in another, but we may be able to assert that the price of meat in general has been rising or falling faster in one country than in another.

The following tables are compiled for England from Sauerbeck's "Prices of Commodities" published in every March number of the *Journal of the Royal Statistical Society*, for France from the "Prix de viande de boucherie" published in the agricultural returns. In each case prices for the years 1893—7 have been taken as equal to 100:—

	English Prices.						French Prices.					
Periods.	Beef, Prime.	Beef, Middling.	Mutton, Prime.	Mutton, Middling.	Pork, Average.	Means. English Prices.	Beef.	Cow's Beef.	Veal.	Mutton.	Pork.	Means. French Prices.
1878—1882...	124	133	124	134	121	127	100	100	100	97	109	101
1883—1887...	113	122	112	121	109	115	99	99	98	97	102	99
1888—1892...	102	105	103	109	90	101	94	93	93	95	97	94
1893—1897...	100	100	100	100	100	100	100	100	100	100	100	100
1898—1901...	104	111	100	100	111	105	95	97	97	97	100	97

The average of the French prices for the years 1899, 1900, and 1901 is the same as for the year 1898. In England there was a considerable rise during these three years. We may suppose that the sudden increase in the demand for American and Australian meat together with the rise in freights during the South African War accounts for this divergence. The English prices in 1903 recede sharply: unfortunately the French appear

to have published no returns since 1901. In studying these figures it must be remembered that the duties on meat and animals were low down to the mid-'eighties and only became oppressive in 1892. The greater fall in the English prices from 1878—1887 is principally due not to protection in France, but to the fact that meat prices in this country were in the 'seventies very much higher than in France. Not until English prices had fallen very considerably did trans-oceanic competition affect appreciably the prices of meat in France.

In conclusion it may be remarked that M. Zolla (in his work " La Crise Agricole ") reached very similar results to the above for the years 1878—99 from a comparison of the prices at the Metropolitan cattle market in London and at the market of La Villette in Paris. According to his calculations the price of the best mutton and beef was at the end of the 'nineties still slightly higher in London than in Paris. Inferior qualities were much cheaper in London.

The difficulty of comparing prices in two countries increases with every step taken away from the few great staples of universal interest and consumption. Moreover, but little endeavour has been made to collect and systematise the available information. In the *Journal of the Statistical Society* at Paris for 1901 M. Pierre des Essars compares the retail prices of certain commodities at the Civil Service Stores in London and at the

Maison Potin and several meat stores in Paris. For forty-six groceries, for bread, and for eighteen kinds of meat, he found that the Paris prices were higher than the London by considerably more than the customs' and *octroi* duties paid upon them. Such revelations are, of course, contradicted by the British journalist's tradition of cheap living at Paris, but that tradition dates from the days of the "Paris Sketchbook."[1]

[1] It may, however, be noticed that as wages generally are far lower in France than in England that part of the traveller's disbursements at hotels and restaurants which represents payment for personal service is necessarily less in the former country than in the latter.

CHAPTER VI.

THE PROTECTION OF MANUFACTURES.

If we could accept as exact the assertions of French protectionists we should suppose that few if any of the prime costs of manufacturing are as low in France as in other countries. According to a cry which is practically universal, coal and iron are more costly there than elsewhere; railway and water transport is less developed and more expensive than in Germany; the facilities for coasting trade are less than in England and Scotland; it costs more to build, heat, light and maintain factories; it costs more to buy, install, run, and maintain machinery; wages, though lower per individual, are higher per unit of produce; raw materials, even when untaxed, are dearer on account either of transport, or inferior organisation of their markets; specialised skill is harder to find; the interest on borrowed capital is higher.

When we seek to examine into these arguments we are met at the outset by the difficulty of insufficient information. As has been said, the protectionist party in 1891 was so powerful that it did not need to prove its case. Nevertheless, the information available permits of certain broad

conclusions. We shall see that these arguments contain a great deal of exaggeration and misconception, but, except as regards labour-costs, some substratum of truth.

In the first place, if the facts were precisely as stated by the protectionists, we should expect to find that exports of manufactures from France were unimportant in relation to the total exports, much as was the case in the United States fifteen years ago. As a fact the case is otherwise. More than half of the value of French exports represents manufactured goods, and this has been so as far back as the statistics relating to the subject extend. It is inconceivable that the whole of this great export trade should be based entirely upon the small earnings of management of French *entrepreneurs*. The earnings of management in the export industries cannot differ sensibly from the returns for work of similar difficulty directed towards the supply of the home market. And it is notorious that much wealth has been accumulated by French manufacturers during the past century. *Les Grands Industriels* have played a great part in the history of the country since the time of the Revolution.

We must therefore assume that if it is true that the other prime costs of manufacturing are dearer in France than elsewhere, it is not true that the wages bill per unit of product is on the average higher in that country than, for instance, in the United Kingdom. That it is lower per individual

is well known, and that it is higher per unit of product in some cases may be assumed—such individual instances would be discoverable in comparing any pair of advanced countries; but on the average it must necessarily be somewhat lower in proportion as other of the prime costs are higher. But it may be asked what of "dumping"? Does not the preceding analysis rest entirely upon worn-out formulæ which neglect this striking modern development? To this question there are two answers. The practice of dumping on a large scale is, as regards countries other than the United Kingdom and Germany, modern: hence the attempt to explain the great export of manufactures from France by the "dumping" formula omits the fact that that export was nearly if not quite as considerable before dumping was heard of. Secondly, analysis of the French export statistics shows that by far the greater proportion of the exports is due to trades which cannot conceivably practise dumping on an important scale. As this analysis also throws some light on the broad issue of how it is that France can export manufactures, the present moment seems favourable for its introduction.

The study of the table on p. 104 shows what an important part of French manufactured exports is made up of goods into the cost of whose production the wages bill enters largely. The cost of labour is an important—if not dominant—factor in the production of the expensive materials of silk and

wool, which are exported from France in great quantities. The same is true of Paris goods, of

MANUFACTURED EXPORTS OF FRANCE. AVERAGE OF YEARS 1899 AND 1900.

—	In Million Francs.	Per-centage of Total Manu-factures Exported.
Silk tissues	268·2	11·7
Wool tissues	245·6	10·8
Paris goods	184·3	8·1
Cotton tissues	174·3	7·7
Clothing	139·1	6·1
Trimmings and artificial flowers	122·3	5·4
Manufactured leather	105·1	4·6
Metal manufactures and tools ...	89·3	3·9
Chemicals	86·0	3·8
Leather manufactures	73·3	3·2
Pottery and glass	67·6	2·9
Machinery	62·4	2·7
Paper	55·3	2·4
Wool yarn	35·8	1·5
Plate and jewellery	28·9	1·2
Total: Enumerated articles ...	1,737	76
Total: Manufactured articles	2,260	100

the more expensive cotton tissues, of clothing, trimmings and artificial flowers, manufactured leather, and many classes of metal manufactures. It is true of leather manufactures and of artistic

pottery and glass, of some kinds of paper, and of all plate and jewellery. It is not in industries of this character that the phenomenon of "dumping" appears. The power to "dump" advantageously is—theoretically—strictly proportionate to the economies that may be effected by keeping plant running at its maximum output. These economies are potentially greater in proportion as a large percentage of the cost of manufacture represents the repayment of standing charges, and less in proportion as a large percentage of the cost of manufacture represents wages. Furthermore, in all these cases—and together they must make up at least ninety per cent. of the articles enumerated—we see the possibility of recouping the extra cost of machinery and raw materials by taxing the wages-bill for labour, taste and skill. The articles enumerated are the fifteen most valuable items in the French export list, and represent together 76 per cent. of the whole. If the remaining quarter be of the same character the problem of how the French manage to export manufactures, in spite of the higher cost of their raw materials and plant, is satisfactorily solved.

Let us now consider how far it is the case that the raw material and plant of manufacturing industries are dearer in France than here. In the first place price comparisons suggest that the prices both of coal and of iron are higher in France, and although such comparisons are especially liable to

mislead on account of differences of quality in the articles whose prices are compared, it may, at least, be said that they bear out the almost universal assertions of French writers on the subject. As regards coal the duty charged is 1*s.* the ton of 2,204 lbs., and allowing for cost of carriage this agrees pretty well with an average difference of some 3*s.* per ton between the mean prices (at the pit) in France and in the United Kingdom, viz., for the years 1891—1900, 9*s.* 11*d.* per metric ton in France, 7*s.* 1½*d.* per English ton in the United Kingdom.[1] The French duty on iron is about 12*s.* per metric ton. For the ten years 1891—1900 the mean of the prices of iron at the works in France was 52*s.* 4*d.* per metric ton; the mean of the prices of Cleveland iron at the works during the same period was 42*s.* 4*d.* per English ton. Thus, whilst we cannot pretend to accuracy of detail, it is probably true that those French writers are in the right who assert that both iron and coal are dearer there than here. As to the cost of building it is more difficult to speak. Wages are certainly less in France, materials are in some cases dearer; for instance, bricks in general cost more. In many industries also the smaller demand for each type of factory would probably entail less economic construction. Heat and light may be expected to correspond in price to the price of coal. We may also believe

[1] French prices from "Annuaire Statistique," English from "Report on Wholesale and Retail Prices."

that the cost of providing specialised skill or expert knowledge is higher than in Germany, if not higher than in the United Kingdom. In the woollen and silk industries this could not very well be, but it could and probably would be in, *e.g.*, metallurgy.

There seems also reason to suppose that the cost of procuring raw materials in some of the textile industries works out slightly higher for the Frenchman than for his foreign competitors. The proportion of the French cotton supply which is first transhipped in England is now very small; but considerable quantities are still bought *via* the Liverpool Exchange, which probably entails prices a trifle higher for the French manufacturer than for the English. Also it is said that the market at Havre is not worked at so fine a margin as at Liverpool, which—considering the smaller quantities handled—is likely enough. So much wool still comes *via* England that the French do not charge the usual *surtaxe d'entrepôt* on Australian and Cape wools. The same exemption is granted to Indian cotton, but not to American. As regards cotton and wool, the position of the French manufacturer has improved in recent years; but of silk, a greater proportion is now imported.

Such differences in the costs of manufacturing to the disadvantage of the French do not account satisfactorily for the alleged higher cost of many manufactures in France. Consider, for instance, the case of machinery. We may grant that French

manufacturers of machinery pay a higher price for their raw material—iron and steel—than do the competing manufacturers of some other nations. The cost of the material is, however, not a very serious item in the cost of machinery, and certainly cannot be held to account adequately for the variations in price which are said to exist. Machinery is rated at various duties from £2 the metric ton up to £35 : the duty on iron is 12*s.* the ton, on steel ingots 40*s.* the ton, on steel blooms and billets 50*s.*, on iron and steel plates 56*s.* If we suppose that these duties raise prices in all cases by their full amount, it would seem that of machine manufacturers a few get hardly enough protection to make up for the ascertained higher cost of their materials, and others get very much too much, even if allowance be made for higher cost of plant, building, power, heat and light. Meantime, considerable quantities of French machinery are exported, and have been for years past, much of which is certainly not dumped. The tariff, we are assured, is based upon observed differences between the costs of production in France and in competing countries. There is here, no doubt, some exaggeration ; nevertheless the weight of testimony is in favour of the view that the cost of producing certain classes of machinery in France is in varying degrees considerably higher than the cost of producing similar machinery in the United Kingdom. The case of yarns is analogous. Here, again, we meet with the same extravagant

variations in the duties, the same persistent exports of yarns, and the same clamour from the protectionists that the manufacture of yarns in France would cease were it not for the tariff.

The key to this difficulty seems to be contained in the report to the Chamber of Deputies on the Government's proposals for the duties on cotton yarn. In his enumeration of the difficulties which the French manufacturer has to surmount, the reporter remarks that it is comparatively rarer in France than in England to find a mill devoted to spinning only one or two kinds of yarn. He points out, in fact, that specialisation in the manufacture of yarn has been carried not near so far in France as in the United Kingdom. Exactly the same phenomenon would seem to be observable in the case of shipbuilding. M. Lavergne, in an interesting article in the *Revue des Sciences Politiques*, 1901, states that the higher cost of raw materials in steel shipbuilding works out at about 52 fcs. per metric ton—the higher cost, that is to say, on the assumption that the protective duties raise prices by their full amount. M. Lavergne's article is based upon an exhaustive *enquête*, and we may accept this figure as not very far from the truth. Yet an equally laborious commission in 1893 observed that the difference in the cost of production as between France and the United Kingdom was at least 120 fcs. per ton, which agrees pretty well with current estimates made upon this side of the Channel.

The enormous gap between these two figures must be due principally to the (economically) inferior organisation of the shipbuilding industry in France. The patriotic free trader in England is accustomed to account for this by the simple statement that French shipbuilders are "no good," and asserts that they are enervated by bounties and protection. It may be so in part, though the example of French manufacturers in some branches of other industries would not lead us to suppose that the French manufacturer was *per se* any less efficient than the British. Moreover, there is a good deal of testimony to the effect that from a technical point of view French-built ships are excellent; and it is not alleged that the percentage of "breakdown" or "foundering" is greater among them than among the cheaper ships of other nations. M. Lavergne is probably right in his (on the face of it) exceedingly naïve remark: "Our shipbuilders (except as regards their costs of production) can hold their own with their foreign competitors." The plain and adequate explanation of the great margin between the excess of price in France and the tax upon the raw materials is to be found in the fact that shipbuilding is not organised so economically in France as it is in England. French shipbuilders cannot afford the same specialisation of plant as can British, and in so far as they lay it down must charge far higher prices for the article in whose manufacture it assists. The same cause explains the higher price

of all repairing: there is far less repairing work to be "done" at each port, and consequently the "unit" of repairs cannot be produced at as low a price.

The same must hold good to greater or less extent of the spinning industries, though here a distinction must be drawn between cotton on the one hand and wool and silk on the other. The silk industry of France is still one of the greatest, if not the greatest, in the world; the woollen industry is second only to that of Great Britain, if it be not greater. It is in accord with these facts that the cotton spinners have always been more eager protectionists than the woollen and silk spinners. Thrown silk was free until 1892, and in the tariff of that year was taxed at no more than 1*s.* 1*d.* per lb.,[1] and the duties on woollen yarns are on the average considerably lower than those on cotton. The cotton industry of France has, of course, always been organised on a far smaller scale than the same industry in our own country. It was the reporter on cotton spinning who complained of the lack of specialisation in French mills. That this is so is largely due to the determination of the protectionists that as much as possible of the yarns woven in France shall be themselves spun in France, without reference to the factor of climate or to the question whether there is enough demand for each quality at each centre of production to permit of the

[1] Equal to about 7 per cent. *ad valorem.*

greatest possible economy in its production. And the same holds good, though certainly in a less degree, of the woollen and silk industries. The woollen industries of France and England are of nearly equal importance, yet we export millions of pounds of yarn to France, and France exports millions of pounds of yarn to us. These yarns are not, of course, for the most part competitive; the exchange arises from the fact that industry drifts everywhere in the direction of specialisation. Why a particular branch should flourish in France rather than in England it is often difficult to say. Sometimes it may be due simply to the chance that more energetic or more able men happen to turn their attention to this particular branch in one country than in the other. Again, a certain percentage of novelties will naturally be brought out in each country, and to be first in the field often means success. What should be noted is, first, that it is for the advantage of both countries that each branch should be specialised either in the one or the other (so long, that is, as the demand for each is too limited to permit of the maximum of economy at two centres of production simultaneously); and secondly, that so long as each country secures a fair proportion of the new openings, it does not matter to either whether a particular branch establishes itself at home or abroad. And it is by noting the tendency of industry towards such specialisation that we may best realise the full effects of protective tariffs.

In spite of tariffs the fruits of the tendency are seen on every hand, and it cannot be doubted that but for tariffs there would be much more advance in this direction. But to this we shall return presently.

The extent to which manufacture on a small scale persists in France is shown very strikingly by the returns to the industrial census of 1896. The table on p. 114 gives the numbers of establishments and the numbers employed per establishment occupied in the production of goods other than agricultural. That is to say, it includes all manufactures, mining, building, and road-making, but excludes agriculture, transport, trade, and personal services of all kinds.

We may now sum up the argument so far as it has been carried.

The general assertion of the protectionists that the very existence of the manufacturing industries of France would be threatened but for Protection has been shown to be ridiculous. We have seen, indeed, that there is some truth in the complaint that coal and iron are dearer in France than here. It is also probably true that building, heat, and light cost more, and that there is some small excess of cost on raw cotton and wool. But these charges form an infinitesimal part of the cost of the finished article, and in many important industries (or perhaps it should be said, in most of the branches of many important industries) the French do a splendid export trade. This export

Establishments with	Number of Establishments in each category.	Number of Employés in each category.	Mean of Employés per Establishment in each category.
Employés.			
1	283,338	283,338	1
2	125,223	250,446	2
3	52,793	158,379	3
4	28,616	114,464	4
5	16,318	81,590	5
6	11,313	67,878	6
7	6,846	47,922	7
8	6,202	49,616	8
9	3,930	32,370	9
10	4,870	48,700	10
10—20	17,342	240,000	14
20—50	11,284	345,000	30
50—100	3,865	268,000	70
100—200	2,003	276,000	138
200—500	1,142	340,000	300
500—1,000	295	195,000	660
1,000—2,000	108	145,000	1,350
2,000—5,000	33	96,000	3,000
5,000 and above	10	72,000	7,200
1—10		1,134,703	
10—100		853,000	
100 and above		1,124,000	
Totals ...	575,531	3,111,703	5·5

trade does not depend upon a system of bounties, whether paid by the State or derived from

monopolistic exactions in the home market. It is therefore correct to say that, with a few unimportant exceptions, the power to export implies the power to control the home market without Protection. These export industries support the charges already enumerated together with more serious charges on a certain proportion of the manufactured goods which they use as raw materials or plant. The charges are presumably paid partly out of earnings of management and partly out of wages, and the observed low scale of wages per individual must correspond in these industries to a low wages-bill per unit of product. On the other hand, there are undoubtedly a number of articles which are manufactured in France at a far higher cost than similar articles in other countries; and for this higher cost the trifling excess on coal, iron, building, etc., furnishes no satisfactory explanation. Why *should* it be possible for the French to put certain classes of machinery and textiles upon the world market at a price equal to or lower than what would be "made" by English or German manufacturers, and impossible for the French to put other classes of machinery and textiles on their own market at as low a price as their foreign rivals? Clearly the direct effects of natural conditions or protective duties in raising the costs of manufacture offer no explanation of this phenomenon. If these charges can be borne successfully by one branch of a trade, why should they not be borne with equal

success by another? In one or two cases no doubt special conditions are at work. Thus the climate of Lancashire gives the British manufacturer a greater advantage on fine cotton yarns than on coarse, and the superior scientific education of Germany may give the German a greater advantage in some branches of chemical manufacture than in others. But only a very small percentage of the puzzling cases can be resolved by such explanations as these. In the great majority of instances some general and far more important momentum must be discovered to solve the dilemma. Such a momentum seemed to be discoverable in the case of shipbuilding and of cotton spinning: it remains now to consider what the potentialities of this momentum are.

Amongst the arguments which find favour with scientific protectionists the argument of "the larger market" holds a prominent place. It is represented that the exclusion of all foreign manufactures will lead to a larger output all round of manufactures at home, that this larger output will lead everywhere to increased economies, and that eventually the home market will be supplied at as low a price as, or at a lower price than was the case before protection was instituted. The general reply of free traders to this argument runs as follows: If it is possible by increasing the scale of manufacture to produce at as low a price as the foreigner, investors will seize their chance of making a profit and will put down the necessary

plant. Private initiative, in fact, will do what is wanted without any interference on the part of the State. Now this answer has indubitably far more force than most protectionists are willing to admit. The present tendency to underrate private initiative and overrate direction by the State is at least as absurd as the tendency in the reverse direction which prevailed in England fifty years ago. Nevertheless, the argument is unsatisfactory from the fact that it underrates certain psychological factors which are not without importance. Thus in countries at a particular stage of development the interference of the State (if it can be supposed that it will be wisely used) may be desirable in order to counterbalance conservatism. In others it may be necessary to attract capital by minimising the apparent risk of loss. It would be out of place here to attempt a general discussion of this difficult question; nor is it necessary for us to assume that any definite answer which would cover all cases can be made. For a country situated as is France it can be shown easily that the argument of "the larger market" tells with considerable force against the policy which it is adduced to support.

If the French abandoned Protection we may suppose that certain branches of their manufacturing industry would suffer, and that certain exporting industries would benefit. The suffering—other things, *e.g.*, cost of importation, being equal—would be most acute in those industries

in which the costs of production in France are relatively highest. Their home market would be invaded, and if they continued to exist it would be by means of lower wages and lower profits. So far, then, the effect of the change of policy would be a restriction of markets. On the other hand, exports would expand—particularly those manufactured exports which would be freed from the charges on raw materials and plant. There would further be a general increase in the home demand which would benefit certain manufacturing industries, both directly, and—in so far as importation demanding payment by exports was thereby increased—indirectly.

Thus it will be seen on the one hand that the markets of those trades which need most protection would be restricted, on the other that the markets of those trades which need least protection would be expanded. As manufactures of the former class were forced out of existence or restricted, so would their place be taken by manufactures of the latter class. And as this would be the effect of the abandonment of Protection, so an increase of Protection would necessarily work in the converse direction. If the import of foreign manufactures were prohibited, those manufacturers would gain whose costs of production are most above the costs of production in other countries; who do no export trade (except by spasmodic dumping to clear stock at a loss) and who are only just enabled by the aid of

enormous duties to withstand foreign competition in the home market. On the other hand, exporting industries which control the home market would see their market contract, partly on account of the lessened demand for exports from France, partly on account of the decreased demand in the home market.[1] It appears, then, that in a country situated as is France, the argument of the "wider market" has a double edge. The exclusion of foreign manufactures enlarges the market in some directions but restricts it in others. Further consideration will show that—again as regards the concrete case of France—the part restricted is more important than the part enlarged.

We have seen that specialisation between (and within) the industries of advanced manufacturing countries is constantly in progress. The woollen industries of France and England are approximately of equal importance: it might be thought therefore that there would be no interchange of woollens between the two countries. On the contrary, each country imports from the other enormous quantities of yarns and tissues. This interchange results from the specialisation of each branch of the trade in one or other of the two countries, and this specialisation is, as has been seen, to the advantage of both parties. The

[1] I have stated it thus absolutely. In many cases, however, there would be no absolute decrease in demand but simply a slower growth. This limitation does not affect the main argument.

arguments which can be urged with weight against any country concentrating its attention on agriculture or manufactures solely have no weight at all when the exchange under consideration consists of manufactures for manufactures. It will be obvious that the policy of excluding foreign manufactures is directly opposed to the progress of this specialisation within the limits of two related industries. The goods produced by those branches in which the foreigner excels are to be excluded to the detriment of the most progressive branches of the home trade. Let us pursue the logic of this process still further. It has long been plain that the smaller a nation is, the more has it to lose by all-round protection. Protectionist writers usually admit that a high tariff in Belgium or Switzerland would be ridiculous. But why? Plainly because even if Belgium concentrated the whole of its adult population—apart from what is necessary for transport, trade, the professions, and the public services—upon manufactures it could not achieve the full economies of production in all directions at once. To produce at the cheapest rate technically conceivable not only a large market is necessary, but also many individuals must unite in the trade.[1] No small country is populous enough to carry on all industries at once with the maximum of economy. Similarly if half the Lancashire cotton

[1] *E.g.*, one cobbler can make a boot, but one hand cannot run an up-to-date boot factory.

industry were transplanted to Yorkshire and half the woollen industry sent to take its place in Lancashire, it is not to be supposed that the output of the two industries when thus divided would be so great or produced with such economy as the output of the two industries when centralised as they now are.

In the case of France, the matter seems especially clear. We are not dealing with a country whose population is advancing very fast, or which can expect to divert rapidly a large proportion of its available labour from agriculture to manufacturing.[1] Nor is France in any sense of the words a "young country." In fact nearly all the complications which thirty years ago made the decision of this question difficult in Germany, and still more difficult in the United States, are absent in France. There the population advances slowly, and the general conditions which make for agriculture and manufacturing respectively are more nearly balanced. It is inconceivable that the French can ever attain in all branches of manufacture at once the economies which technical progress makes conceivable at any one time. On the contrary, her problem is the same as that which faces our own country, viz., to maintain her leadership in those branches of industry in which she is strongest. For industrial France a

[1] Cp. p. 173, "A comparison between . . . employed in agriculture."

"relative decline" in the woollen and silk industries would be a far more serious evil than a relative advance in the cotton and metal industries would be a good. Her iron and cotton industries cannot within any measurable distance of time come to rank with the great ones of the earth, but she might retain her industrial leadership in wool and silk. We may point out further that those protectionists are wrong both in France and in other countries who believe that time is on their side in this matter. The "fullest economy of production" is a term relative to some particular time. Thirty years ago most things were manufactured in the United Kingdom as economically as it was then possible for them to be manufactured anywhere. But from the point of view of our own time most things were then manufactured uneconomically. Every improvement in transport or telegraphy makes it possible for the "octopus" to clutch some new prey. Another industry or another branch of industry is drawn into the "world market." As this process continues, and at present certainly we cannot see its finality, it becomes more and more impossible for any single nation, let alone a small nation, to make everything at home economically. It is doubtful whether the United States can do so at the present time; it is almost certain that they will not be able to do so thirty years hence; and *a fortiori* is it ridiculous for 38,000,000 Frenchmen to attempt it.

We have now reached the kernel of the matter in what concerns the protection of manufactures in France. Her natural disadvantages, *e.g.*, the poorer supply of coal and iron, and her inferior land and water communications, would not prevent her from being a great manufacturing country under a Free Trade *régime*. Her agricultural and extractive industries have no such immense natural advantages over her manufacturing industries that protection should be needed to prevent the exports of food from swamping the home market with return imports of foreign manufactures. In so far as the natural conditions for the production of wealth are inferior in France, the French must of course bear their burden in longer hours of work or lower remuneration than are the rule in other countries, and in a less rapid influx of foreign capital and labour. But though the poorer supplies of coal and iron keep the balance between agriculture and manufacture more even in France than in Germany or in the United Kingdom, it cannot be maintained that a country which, in spite of heavy duties on food, steadily increases its manufactured exports, would be in danger (but for Protection) of seeing its manufactures extinguished.

The true operation of the duties on manufactured goods is, therefore, not the protection of manufacturing as a whole, but the protection of certain branches of manufacture. And it has been seen that their incidence is in the direction of

maintaining those branches which necessarily produce wastefully, and in hampering those branches which produce economically. It is not enough for the French protectionist that France should excel in the production of certain classes of machinery, chemicals, yarns, and metal manufactures, nor that she should lead the world in artistic manufactures of all kinds, in the best tissues, in all things which in men's opinion make women beautiful. On the contrary, he demands that every machine used in France should be made in France, that all yarn woven in France should be spun in France, that every Paris dress should be made out of French material with French needles and French thread, and so on to the end of the list, though experience and theory unite to demonstrate that one nation of 38,000,000 souls cannot achieve the maximum economies of production in every branch of manufacturing industry at once.

Hitherto we have considered principally the indirect effects of the tariff in promoting uneconomical methods. Its direct influence in raising the price of half-finished manufactures and plant is also serious. If the reader will turn back to the table of values of the fifteen principal items in the list of French exports (p. 104), he will see that the first six, viz., woollen tissues, silk tissues, Paris goods, cotton tissues, clothing, and trimmings and artificial flowers, are essentially "finished" products. The value of the exports under these

heads was in the years 1899—1900, 49·8 per cent., or almost exactly half of the total value of French manufactured exports. The raw material of all these trades is subject to duty when imported. In the seventh item we come at last upon an industry, the manufacture of leather, whose raw material is not taxed. Hides and skins go into France free. Of the remainder, the raw materials of tools and metal manufactures, of leather manufactures, of machinery, of some chemicals, of paper (when made from wood pulp), are taxed. The raw materials of pottery and glass, of woollen yarn, plate and jewellery are free.[1] To sum up: Of these articles, which together account for 76 per cent. of the French exports of manufactures, 78 per cent. are taxed as to their raw material, 14 per cent. have their raw material free, and eight per cent. are divided between the two classes.

It is not, of course, to be supposed that the duties on the raw materials are in all cases operative. Only an uncertain proportion of the yarns and fabrics and machinery used are raised in price. As has been said, the French export some machinery and considerable quantities of woollen yarns; they also export increasing quantities of cotton yarn and thrown silk. On the other hand, the duties must in many cases be operative, and

[1] Export trade conducted under the *régime d'admission temporaire* is of little importance. The figures under discussion are exclusive of this trade.

we have to consider not only the actual exports of finished goods, but also those goods which would have been exported if the price of their raw material had not been raised artificially. The manufacturer of tissues who makes for the export trade must calculate, when he thinks of putting a novelty on the market, whether its manufacture will involve the use of large quantities of unduly dear yarn and machinery of special kinds which cannot be produced cheaply in France. The makers of clothing and of dress trimmings must similarly ask whether the material they think of using is manufactured cheaply in France or not. In the struggle for foreign markets as it is waged between advanced industrial nations, the part played by "novelties" is perhaps as important as any. The French, as regards the textile and clothing trades, have a special gift in that direction. Fashionable tradition is also on their side. Yet the disadvantage of not possessing untrammelled freedom in the choice of material is *pro tanto* a direct tax upon these advantages.

Anomalies may be found everywhere in the practice of protectionists, yet even so the practice of the French as regards their leather industries is peculiarly striking. The exports from France both of manufactured leather and of leather manufactures are important. For the years 1899—1900 the average value of the former was 105,100,000 frs., of the latter 73,300,000 frs. The former is protected at the expense of the latter,

though its exports are considerably more valuable. If we turn to the table of occupations in the industrial census of 1896 we find that 47,000 individuals were engaged in the manufacture of leather, and 289,000—six times as many—were using leather as their raw material. On mercantilist principles a stiff export duty on manufactured leather would seem to be required. Instead of this we find an import duty.

It will have been seen from the analysis contained in this chapter that in most cases the injury done by individual duties is not very great, though their cumulative effect is serious. That the French determine to produce a particular kind of fabric uneconomically injures the nation (1) in so far as they have to pay more as consumers of that fabric; (2) in so far as dependent trades which might use it as raw material are hampered; (3) in so far as energy and capital are enticed to work uneconomically instead of being goaded to work economically. The cumulative effect of many such duties is very serious, but the effect of any one individual duty of this kind is not serious. There are, however, other duties which affect articles in such universal demand that the consequences of an unnecessary rise in their price are more serious and reach farther. Such articles in particular are coal and iron. A tax on coal means a tax on steam, and indirectly on iron, since it takes several tons of coal to make a ton of iron. A tax on iron means a tax on

machinery, railways, buildings and tools. Plainly the effects of such taxes can only be imagined; they cannot conceivably be measured.

As regards coal, the duty of 1s. a ton is inoperative over some part of France, in all districts, that is, where the cost of carriage from abroad exceeds the difference in price between local and foreign supplies. The quarrel between the colliery owners and the nation is not one of life and death to the former, but resolves itself into a dispute as to how wide the zones shall be which shall enjoy the advantage of cheaper coal. The gain of removing the duty would be less in proportion as it is inoperative, but would still be considerable. There are no special considerations which make it desirable for a country to work out its coal deposits slightly more quickly than it need. The case of iron is very similar, except that the harm done by the duty is greater, and that the gain from its removal would be greater, too. Here, of course, the country is faced by the difficulty of undoing what has been done in the past. The French metallurgical industry is not founded on Protection, inasmuch as the home demand for iron and steel under a Free Trade *régime* must necessarily have been always supplied, to a great extent, from home sources, but it is certainly built *round* the protective system in the most complicated way. The advice given by Cobden forty-five years ago probably remains sound to-day. He recommended the Emperor to abolish the duties at one stroke,

and to pay a moderate sum of compensation-money to those iron masters whom the change affected most seriously.

Such speculations are, of course, academic merely. There is no possibility of a scientific reform of the French tariff. Tariffs are made (*pace* certain historical economists) by the play of rival interests, and not by scientific protectionists. It may happen in time that the protective system will become so oppressive to the general body of the nation, that they will rise against it, as did the British sixty years ago; as the Germans threaten to do to-day. Such risings show little mercy to the institutions against which they are directed, or to the individuals whose fortunes are bound up with them. But so long as protectionists remain crude protectionists they must take the rough with the smooth, and not complain if their political opponents show scant mercy when the day of reckoning arrives.

CHAPTER VII.

STATISTICS OF PRODUCTION.

Our knowledge of production in France, as in all other countries, is very limited. We know roughly the output of cereals, the number of cattle, the consumption of coal, iron and steel, and the consumption of cotton, wool and silk. These are the chief facts upon which an enquiry must be based, and they are plainly insufficient to furnish even a moderately complete view of the situation. The general impression derivable from the data available is that between 1892 and 1902 there was a greater increase in the output of manufactures in France than between 1882 and 1892—due in part no doubt to the restriction of manufactured imports. There was little increase on the other hand in the agricultural output. The great exporting industries, wool, silk and cotton, did not fare very well. In no direction do we find such extraordinary expansion within the last twenty years as has characterised certain branches of manufacturing industry in England, Germany and the United States.

The figures on p. 131 give the broad facts, as regards agriculture. It may be noticed that (as was remarked of wheat, Cap. iv.) the acreage

under barley reached its greatest development about 1884. The acreage under oats was 3,697,000 hectares in 1884, so that here, too, little progress

CEREALS AND POTATOES: SUMMARY STATISTICS.[1]

—	WHEAT.		BARLEY.		OATS.		POTATOES.	
	Thousands hectares sown.	Thousands hectolitres produced.	Thousands hectares sown.	Thousands hectolitres produced.	Thousands hectares sown.	Thousands hectolitres produced.	Thousands hectares sown.	Thousands hectolitres produced.
1873-1877 ...	6,896	102,248	1,076	18,346	3,286	71,468	1,238	124,535
1878-1882 ...	6,905	98,611	1,021	17,888	3,447	80,457	1,304	136,072
1883-1887 ...	6,946	109,517	991	18,476	3,713	87,274	1,438	144,790
1888-1892 ...	6,724	102,155	956	18,086	3,864	90,797	1,473	144,973
1893-1897 ...	6,903	109,374	872	15,414	3,919	84,304	1,540	163,343
1898-1900 ...	6,922	123,741	792	15,626	3,922	93,891	1,538	160,369

has been made. The increased output of potatoes seems to be due to the fact that more potatoes are eaten. The make of potato spirit in France was returned for 1900 as 245 hectolitres, and for 1899, 773 hectolitres.[2]

CATTLE: SUMMARY STATISTICS.

(*Thousands omitted.*)

	Cattle.	Sheep.	Pigs.	Goats.
1873 ...	11,721	25,935	5,755	1,794
1878-1882 ...	11,598	22,587	5,746	1,519
1883-1887 ...	12,891	22,505	4,696	1,477
1888-1892 ...	13,496	21,895	6,066	1,585
1893-1897 ...	13,017	20,958	6,173	1,490
1898-1901 ...	14,040	20,620	6,508	1,522

[1] 1 hectare = 2·47 acres; 1 hectolitre = 2·75 bushels.
[2] 1 hectolitre (liqu d) = 22 imperial gallons.

The general decline (except a small increase in pigs) in the five years succeeding 1892 is noticeable. The subsequent increase in cattle is due solely to an increase in the number of cows.

COAL CONSUMPTION, HORSE-POWER USED IN INDUSTRY, AND RAILWAY STATISTICS.

			Railways.	
	Coal, Thousand Tons.	Horse-Power, Thousands.	Ton-Kilometres, Millions.	Net Receipts Million Francs.
1878-1882 ...	27,840	546	9,867	503
1883-1887 ...	30,845	699	10,112	480
1888-1892 ...	35,185	867	11,526	537
1893-1897 ...	38,971	1,170	12,932	578
1898-1902 ...	45,781	1,659[1]	15,045[1]	686[1]

It will be seen that the increase has been fairly steady throughout. The years 1893-1897, it may be added, were on the whole exceptionally bad, and the succeeding years exceptionally good.[2] The small increase of railway receipts in the years 1893-1897 may have been due partly to a general reform of rates, including considerable reductions, which came into force in 1892.

The table on p. 133 should suffice to dispel the belief that the French iron and steel industries owe their continued existence to Protection. It will be remembered that there was in 1892 little alteration of the duties protecting the primary processes. The export and import figures, together with the totals of production, would seem to

[1] 1898-1900.

[2] This appears also in the statistics of working-class consumption. See Chapter IX.

Iron and Steel: Summary Statistics.

Figures in Thousands of Metric Tons (= 2,204 lbs.)

		1883-1887	1888-1892	1893-1897	1898-1902
Pig Iron.	Home Production ...	1,731	1,867	2,180	2,522
	Import	204	143	120	184
	Export	51	160	182	212
	Net Import or Export	+153	−17	−62	−28
	Total Consumption	1,884	1,850	2,118	2,494
Wrought Iron.	Home Production ...	835	822	792	703
	Import	118	95	119	172
	Export	130	192	158	198
	Net Export	12	97	39	26
	Total Consumption	823	725	753	677
Steel.	Home Production ...	505	590	793	1212
	Import	23	11	10	15
	Export	51	54	47	80
	Net Export	28	43	37	65
	Total Consumption	477	547	756	1,147
Metal Manufactures mostly Iron and Steel [1]	Import	—	21	20	32
	Export	—	71	67	84
Net Export		—	50	47	52
Machinery	Import ...	—	—	51	93
	Export ...	—	—	29	40
Net Import		—	—	22	53

[1] Except ships.

show that though the French industry is not, of course, "great" when compared with those of Germany and the United States, yet this is due, not to the entire absence of natural conditions equally favourable with theirs, but (as in Belgium also) to the fact that the iron and coal deposits, though fairly good, are less extensive. The consumption of other metals—lead, tin, zinc and copper—shows the same general features as the consumption of iron and steel, viz., a fairly steady progress with no startling expansion or contraction. It is worth noting that a great part of the recent expansion in the iron and steel industry is due to deposits [1] which had hardly been tapped thirty years ago.

COTTON: SUMMARY STATISTICS.

(*Quantities in Millions of Kilograms.*)

	1867—1876	1877—1886	1888—1892	1893—1897	1898—1902
Net Imports, Raw [2]	85	99	135	152	176
Yarns, Imports [3]	4·8	12·0	11·9	4·9	4·0
,, Exports [3]	·8	·5	·8	·9	1·4
,, Net Imports	4·0	11·5	11·1	3·9	2·5
Tissues, Imports [3]	6·9	10·5	6·6	4·6	4·0
,, Exports [3]	8·6	12·0	18·0	21·4	29·6
,, Net Exports	1·7	1·5	11·4	16·8	25·6

In studying these figures it must be borne in mind that France in 1871 lost the provinces of

[1] In the Meurthe et Moselle district. See lecture by Mr. S. Jeans in "British Industries," edited by Professor Ashley.

[2] From "Annuaire Statistique."

[3] From "Tableaux Décennaux du Commerce" and Annual Statements (French) of Trade and Navigation.

Alsace and Lorraine. With them went one quarter of her cotton spindles, and an uncertain but very large proportion of her finishing trade. Nor can the extent of the loss be measured merely quantitatively. On the whole, the German provinces contained the most progressive part of the French cotton industry. Furthermore, their trade was, of course, to a considerable extent "integrated" with the other centres of production in France—drawing from them and supplying them with considerable quantities of raw material, half-finished manufactures, and plant. The sudden amputation (by annexation and customs-house barrier) of such an important limb had necessarily a very serious effect on what was left. A certain number of Alsatians emigrated after the war to the French side of the Vosges and endeavoured to found there a new Alsace. In this attempt they met with considerable success, but of course the proportion of the industry thus saved to France was not very great.

It is to the loss of Alsace that we must ascribe the great increase in the net imports of yarns, and the small decrease in the net export of tissues between the two decennial periods 1867-1876 and 1877-1886: the figures would be even more striking if the period before the war were compared with the period immediately succeeding it. Before the war France exported more yarns and tissues than she imported.

The small increase in Protection which resulted from the reform of 1882 did not leave any serious

mark on the statistics of the industry. It will be seen that the imports of yarns were almost exactly the same from 1888-1892 as they had been from 1877-1886. The great increase caused by the loss of Alsace could not continue to grow, rather it was to be expected that the French spinners would regain some of the lost ground. And in fact this seems to have happened. The net imports of yarn for the years 1883-1887 amounted to 12,800,000 kilograms—more, that is, than the average for the period 1877-1886, and more than the average for the period 1888-1892. The higher duties of 1882 did not prevent the increase, but it culminated a few years later, and the French spinners began to gain ground in the years 1888-1892. The turn of the tide, so far as tissues are concerned, came earlier and coincided with the increase in duties. For the period 1883-1887 the imports of tissues were 9,000,000 kilograms—the exports 14,900,000. Since then imports have steadily declined, and exports have steadily increased. The decline in the import of tissues was not, however, very marked until some years after the tariff of 1882.

The tariff of 1892 was indubitably effective in excluding yarns: the sudden drop in imported yarns from 11,900,000 kilograms to 4,900,000 kilograms cannot be explained on any other ground. Tissues, on the other hand, do not seem to have been affected importantly. Between the periods 1883-1887 and 1888-1892 the imports of tissues declined by 2,400,000 kilograms: between the

periods 1888-1892 and 1893-1897 they declined by 2,000,000 kilograms only, and since then have become nearly stationary.

For the years 1878-1882 the net imports of raw cotton amounted to 95,000,000 of kilograms. Comparing this with the figures for 1888-1892, we find an increase of 40,000,000 kilograms; and the increase during the next ten years is almost identical, viz., 41,000,000 kilograms. The spinners, therefore, have progressed as fast since 1892 as they did in the preceding ten years.[1] The progress of the weavers is less satisfactory. Whilst the quantity of yarn spun in France has increased steadily, the exports of yarn have also increased, and the imports of yarn have decreased materially. The net imports of yarn fell between the periods 1888-1892 and 1898-1902 by nearly 9,000,000 kilograms. Between 1878-1882 and 1888-1892 the net imports were nearly stationary. Allowing for some wastage in spinning, it would seem that between 1878-1882 and 1888-1892 there was an increase of some 36,000,000 kilograms in the yarn woven in France, and between 1888-1892 and 1898-1902 an increase of only 28,000,000 kilograms. Similarly, the increase in the consumption of cotton goods must have been smaller in the latter than in the former decennium. Between 1888-1892 and 1898-1902 the net exports increased by 11,000,000 kilograms. Deducting this from 28,000,000 kilograms

[1] Such calculations, it need hardly be said, are of the roughest. We do not know the average number of the yarns spun in France at different periods.

we reach a figure of 17,000,000 kilograms only as the maximum of the increase in consumption. For the years 1878-1882 to 1888-1892 the increase, calculated on the same basis, would be about 26,000,000 kilograms. It must be remembered also that of recent years there has been a considerable increase in the export of woollen and cotton and silk and cotton mixtures. It would seem, therefore, that the home demand is very nearly stationary. It is interesting to remark that things have moved in the reverse direction in the United Kingdom. Between the periods 1888-1892 and 1898-1902 the consumption of raw cotton increased somewhat faster than in France.[1] The net export of yarns decreased enormously. Exports of piece goods increased slightly. Imports of piece goods were also slightly greater. It is evident, therefore, that whilst spinning made more progress—absolutely—in the United Kingdom than in France, the finishing trades increased their output very much faster, and that the relative increase in consumption was even more in favour of the United Kingdom. Such results are, of course, very uncertain, but they are indicated on the face of the figures, and are in accord with what theoretical considerations would suggest. Having regard to the conditions of the industry in France in 1891, we should have expected increased Protection all round (1) to bring

[1] It will be remembered that on the average the yarn spun in England is much finer than the yarn spun in France. An equal increase in the quantity consumed would represent a much faster growth of the English spinning industry.

some advantage to the spinners, (2) to do at least as much harm as good to the finishing processes, and (3) to hit the consumer very hard.

Wool: Summary Statistics.

(*Quantities: Millions of Kilograms.*)

	1867-76	1877-86	1883-87	1888-92	1893-97	1898-1902
Net Imports, Raw ...	99	138	155	161	202	206[1]
Home Production, Raw	57[4]	53[4]	52[3]	56	41	41[2]
Consumption, ,,	156	191	207	217	243	247
Yarns, Imports	1·3	2·2	2·5	2·1	2·3	1·6
Yarns, Exports	2·9	4·5	4·6	4·5	4·4	5·5
Yarns, Net Exports ...	1·6	2·3	2·1	2·4	2·1	3·9
Tissues, Imports ...	6·7	7·9	8·5	7·1	5·1	4·3
Tissues, Exports ...	15·6	20·8	22·9	24·3	24·1	20·4
Tissues, Net Exports	8·9	12·9	14·4	17·2	19·0	16·1
Raw Wool consumed in United Kingdom ...	151	163	172	207	228	242[1]

The annual returns of the home "clip" in France begin with 1885, but the agricultural census of 1862 gives a figure for that year, and it is probable, therefore, that the estimates for the twenty years 1867-1886 are not very far from the truth. The consumption of wool fell off greatly during the years of the war, and the bare figures somewhat exaggerate the increase in the decennium 1877-1886. During the years 1878-1882 there must have been a mean consumption of about 185,000,000 kilograms: comparing this with the figures for the periods 1882-1892 and 1898-1901 we find an increase of roughly 30,000,000 kilograms

[2] 1898-1901. [3] 1898-1900. [4] 1885-1887. [1] Estimated.

in each period. In the United Kingdom the increases during the same two periods were 51,000,000 kilograms and 35,000,000 kilograms respectively. It will be seen, however, that the main part of the gain by this country was effected between the periods 1883-1887 and 1888-1892. The French, that is to say, maintained their lead of from 30,000,000 to 35,000,000 kilograms until the latter 'eighties. The duties on woollens were little altered either in 1882 or in 1892, and it will be seen that the trade has not undergone such fluctuations during the last twenty years as we observed in the case of the cotton industry. It should be noted that the greater increase in the consumption of wool in the United Kingdom somewhat exaggerates the gain to the finishing processes and to consumers. Our exports of yarn increased by about 9,000,000 kilograms between the periods 1883-1887 and 1898-1902: the increase in the net export of yarns is somewhat smaller, since imports of yarns have also grown. Nevertheless, our net exports have grown faster than have those of the French. The following table shows the broad movements of the trade.

In Million Kilograms.

	1883-1887.	1898-1902.	Increase.
United Kingdom, Consumption	172	242	70
France, Consumption ...	207	247	40
United Kingdom, Yarns—net export	16	24	8
France, Yarns—net export	2·1	3·9	1·8

It will be seen that the gain to the finishing processes in the United Kingdom, though not so important as the gain to the initial processes, was yet considerable. So far as the consumption of finished manufactures in the two countries is concerned, the increase in the United Kingdom must also have been greater than the increase in France. We do not know the weight of finished textiles exported from the United Kingdom, but it is plain that there has been a decline in the net exports since the early 'eighties. In France there has been a small increase.

SILK: SUMMARY STATISTICS.

(*Quantities in Kilograms, Ten thousands omitted.*)

—	1883—1887	1888—1892	1893—1897	1898—1902
Cocoons { Home Production ...	746	786	938	700
Cocoons { Net Import	33	−13	66	62
Raw Silk: Net Import	261	288	233	383
Total	1,040	1,061	1,237	1,145
Silk Floss: Net Import	305	415	387	664
Thrown Silk { Import	89	28	4	1
Thrown Silk { Export	26	29	84	233
Net Export	−63	1	80	232
Yarns and Tissues { Import ...	61	106	117	128
Yarns and Tissues { Export ...	365	435	454	507
Net Export	304	329	337	379

The returns of the home production of cocoons begin with 1881: since that date there has been a pretty steady falling off in the yield, with the exception of a few years in the 'nineties when the tariff war with Switzerland was in progress. The figures of the consumption of cocoons—which are frequently quoted by both sides in the fiscal controversy—are, as the table above shows, a very inadequate test of the progress of the industry as a whole. The consumption of cocoons was rather less in the years 1898-1902 than in the years 1883-1887, but between the same periods the net imports of raw silk and silk floss had increased enormously. On the other hand, when we turn to thrown silk, it appears that France, which used to draw considerable supplies from abroad to be worked up into finished fabrics, has now become a great exporting nation in the primary process. In spite of this, the exports of yarns and tissues have been increasing fast. To sum up the situation: during the last fifteen years the consumption of raw silk and cocoons has increased by about 1,000,000 kilograms. The consumption of silk floss has more than doubled. A great export trade has been built up in thrown silk, very much as has the Yorkshire trade in "tops" and "noils" during the same period, and largely for the same reason—other countries charging low duties on this article or admitting it free. Imports of finished goods have increased, but exports have increased still faster.

It is difficult, in the face of these figures, to take very seriously the current complaints that the French silk trade is "going." Most of those with which I am acquainted are based upon the misleading figures of the consumption of cocoons, which alone find a place in the summary tables of the "Annuaire Statistique." There are probably more free traders in the French silk industry than in any other important industry in France, and they are perhaps too much inclined to attribute a disease amongst the silkworms or a change in the direction of trade exclusively to the burden of Protection. It is, of course, true that France no longer occupies that monopolistic position in the silk industry which was once hers, and bearing in mind the economic advantage of specialisation we may believe that this is a good thing for herself as well as for the rest of the world. Certainly the available statistics give no indication that the least protected of the textile industries of France has fared worse than the rest. Rather they point if anything in the reverse direction.[1]

[1] The consumption of silk in the United Kingdom declined 50 per cent. between 1883-1887 and 1898-1902.

CHAPTER VIII.

FOREIGN TRADE AND SHIPPING.

It is sufficiently evident that there is no exact correspondence between the growth of prosperity and the growth of foreign trade. The total value in francs, both of imports into and exports[1] from France, was less in the period 1893-1897 than in the period 1878-1882; yet it is certain that the total income of the country, expressed in francs, increased appreciably between the two periods. An increase in the income of a nation may occasion an increased demand for those goods which are supplied in whole or in part from abroad. In this case there would be an increase of foreign trade, though not necessarily an increase proportionate in amount to the increase in the national income. Again, a commercial depression, a famine or a blight may lead, the first to a determination to export at ruinous prices, the second and third to a temporary demand for foreign goods at enhanced prices to fill the vacuum created by the failure of the home supply. Again, the volume of foreign trade is influenced by the transference of capital from one country to another. Investment abroad swells the export total; it may be occasioned

[1] In the "Commerce Spécial."

either by a great increase of productive power at home, or by a revolution or a war which depreciates home securities. Conversely, a country may borrow from other countries (and so increase its imports or diminish its exports) either because of a sudden increase in the opportunities for profitable investment at home, or because its own resources are exhausted by some unusual destruction of property. In a word there is no warrant at all for the customary *a priori* assumption that an increase of exports or of imports (according to the view of the disputant) connotes an increase of national prosperity.[1]

As a national barometer the statistics of foreign trade would be useless even if they were complete. But in fact they are far from being either complete or exact. The figures which constantly appear in popular discussion are, without exception, misleading, and this for two reasons. In the first place, a considerable proportion of the sales and purchases by one nation to and from the rest of the world is not recorded at all in the

[1] This applies especially, of course, to the consideration of lengthy periods. From year to year the fluctuations in the values of foreign trade are largely due to price changes; and, inasmuch as an improvement in trade often causes some rise in prices, an improvement in trade often coincides with some increase in the values of foreign trade, both import and export. Even from year to year, however, we may notice that bad trade sometimes causes an increase of exports; *e.g.*, in Germany in 1902. But these limitations do not affect the question discussed in the text, viz., whether or no we are justified in using the progress of foreign trade over a lengthy period as a test of national prosperity.

official returns of exports and imports. In the second place, the value of the returns themselves is vitiated by the fact that their common denominators (the monetary units of the several countries) are everywhere constantly altering. The values of the franc, the mark, the dollar, and the pound sterling fluctuate from day to day. Over a period of years they have in certain cases demonstrably varied from 20 per cent. to 40 per cent. and more. It is evident that if, in a given country, the average prices both of exports and imports have altered appreciably between two dates, the recorded values of the trade at these two dates are not properly comparable. Their common denominator—the mark, the franc, or the pound, as the case may be—represents entirely different values at the two dates. To compare the recorded values without further investigation is to commit an absurdity comparable with that of one who, having discovered on the 31st of March that a wall was three (yards) high, and on the 1st of April that the same wall was nine (feet) high, should conclude that the wall had grown during the intervening night by 200 per cent. For countries which record year by year the prices of their exports and imports, it is possible to eliminate this variable, and arrive at a moderately exact view of the progress in volume of their trade. By examining the prices from year to year it is possible to prepare a table of so-called "index numbers" which purport to state the proportion

borne by the prices in each year to the prices in any given year which may be chosen for comparison. Thus we are able to say that the prices of imports into France during the years 1878-1882 were 80 per cent. of the prices of imports in the year 1862. If the recorded value of the imports had been the same for the period 1878-1882 as for the year 1862 we should conclude that the volume of goods imported had increased considerably.

(1) The Export and Import of Merchandise.

Col. 1.	Col. 2.	Col. 3.	Col. 4.	Col. 5.	Col. 6.	Col. 7.
Years.	Imports. Million frs.	Price Index Nos.	Imports at prices of 1862.	Exports. Million frs.	Price Index Nos.	Exports at prices of 1862.
1863-1867	2,683	97	2,760	2,932	95	3,080
1878-1882	4,697	80	5,870	3,402	69	4,930
1883-1887	4,294	70	6,130	3,253	64	5,080
1888-1892	4,363	66	6,610	3,546	63	5,620
1893-1897	3,844	58	6,620	3,352	58	5,780
1898-1902	4,494	?	?	4,004	?	?

In this table columns 2 and 5 give the average of the recorded values of imports and exports (domestic trade) during the several periods. The price index numbers in columns 3 and 6 are taken from the tables prepared by Professors A. de Foville and A. W. Flux: they are expressed as percentages of the prices of 1862. Thus the prices of imports in the five years, 1883-1887, were on the average 70 per cent. of the prices of imports in 1862.

Columns 4 and 7 give the results of correcting the recorded values in columns 2 and 5 by the index numbers in columns 3 and 6. It was impossible to carry columns 3 and 4 and 6 and 7 down to the last period (1898-1902). Professor Flux's index numbers cease with the year 1898. Mr. Bowley's index numbers for the United Kingdom show that the prices both of exports and of imports were higher in the period 1898-1902 than in the preceding quinquennium. We are justified in supposing that the case in France was the same, since the changes in price from 1878 to 1897, though not identical in the two countries, show a general similarity of movement. It is probable, therefore, that the increase in the values both of exports and of imports between the periods 1893-1897 and 1898-1902 considerably exaggerates the increase in volume.

A comparison of columns 4 and 7 with columns 2 and 5 shows, at a glance, how misleading are the recorded values when considered by themselves. If we might believe what column 2 says, we should suppose that imports reached a point in 1878-1882 which has never been attained since. We should be equally misled by the teaching of column 5. When we compare columns 4 and 7, we see that the increase, both in imports and in exports, has been persistent, but that the rate of increase has varied astonishingly. Taking the two periods of fifteen years each, whose end and beginning, respectively, is the

quinquennium 1878-1882, we may arrange the following table:—

Quinquennia.	Imports.	Absolute increase of Imports.	Per cent.	Exports.	Absolute increase of Exports.	Per cent.
1863-1867 ...	2,760	—	—	3,080	—	—
1878-1882 ...	5,870	3,110	112	4,930	1,850	60
1893-1897 ...	6,620	750	12	5,780	850	17

It will be seen that the increase during the first fifteen years is beyond all comparison greater than the increase during the succeeding fifteen years —and this although the earlier period included the Franco-Prussian War and the loss of Alsace-Lorraine. It is true that these figures require some qualification. We shall see later that during the quinquennium 1863-1867 there was proceeding a considerable export of capital from France; this would tend to keep down the imports and to swell the exports during that period. It is also possible that at least the early years of the quinquennium 1878-1882 were still under the influence of the great flow of capital to France which succeeded the havoc of the Franco-Prussian War. If this be so, then for this period the imports would be swollen and the exports kept back. Accepting these corrections we may suppose that (apart from the movement of capital) the true increase in the volume of imports during the first fifteen years was somewhat less than 112 per cent., and the true increase in the volume

of exports somewhat more than 60 per cent. A second fact that should be borne in mind is this. The period 1878-1882 includes several years of boom, the periods 1863-1867 and 1893-1897 include years of depression; thus the increase in the first fifteen years is a trifle exaggerated by the figures, the increase in the second fifteen years a trifle minimised. Such qualifications, however, though we press them never so hard, cannot be held to invalidate the broad general result—a very rapid increase both in exports and in imports during the first period, a very slow increase in both during the second. The return towards high protection began, it will be remembered, in 1882; the succeeding years down to 1887 saw the introduction of high protection for agriculture. The protectionist system culminated in 1892. Now, if we return to the table, it will be seen that small as was the total progress made between 1878-1882 and 1893-1897 that progress fell almost entirely in the first ten years of the fifteen.

	Imports.	Exports.
1878-82	6,130	5,080
1888-92	6,610	5,620
1893-97	6,620	5,780

If allowance be made for the rise in prices since 1897, the results for the years 1898-1902 are proportionally no better. It seems, then, that we are justified in asserting that the return to Protection in France coincided with a marked

slackening in the expansion of that country's foreign trade, and that this "relative decline" became more marked as the country "plunged" more deeply.

Are we justified in assuming a causal connection between these two phenomena? Demonstration here, as in every concrete case, is impossible, but evidence of considerable strength can be adduced.

It will be remembered that the increase in the protection on manufactures was not very serious until 1892, and that even at that date the protection of manufactures was not so serious as that of agriculture. If then the slow progress of the foreign trade of France is connected causally with the return to Protection, we should expect that the import statistics would correspond roughly to the weight of Protection at different points; that up to 1892 the main part of the relative decline would be in agricultural produce, that after 1892 the stagnation in this department would still be more important than in manufactures, and finally that raw materials would be throughout less affected than either manufactures or agricultural produce. The table on page 152 is of interest when read in the light of these conjectures.

It will be seen that between 1863-1867 and 1878-1882 the percentage of raw materials declined considerably; the percentages of food and manufactures increased fast. Since the return to Protection the percentage of manufactures has increased but slowly; the percentage of raw

materials has increased instead of declining; the percentage of food has fallen fast. These results may, of course, be due to a simple coincidence, but there is no reason to suppose that they are. The example of our own country would lead us to expect that, but for Protection, the percentage of

FRENCH IMPORTS: DOMESTIC TRADE.

—	Percentage Food.	Percentage Raw Material.	Percentage Manufactures.
1863-1867	21	73	6
1878-1882	36·6	49·8	13·6
1883-1887	34·9	50	15·1
1888-1892	34·2	51·9	13·9
1893-1897	27·6	57·4	15
1898-1902	21·3	61·4	16·3

food and manufactured goods would have increased, though not to the same extent as here. The object of Protection was to diminish their proportion or render it stationary; that object has been to a considerable extent achieved, and we are probably justified in connecting the result with the endeavour, as effect with cause.

(2) SHIPPING: SUMMARY STATISTICS.

It will be seen from the table on p. 153 that the fortunes of shipping follow the course of foreign trade pretty closely. There is a rapid increase

between 1863-1867 and 1878-1882 both in the total tonnage entered and cleared, and in the French tonnage. After 1878-1882 the total tonnage increases more slowly until 1892. In the next five years it hardly increases at all. In the four years 1898-1901 there is a considerable improvement. The French tonnage entered and cleared increases after 1882, probably in consequence of the bounties accorded in 1881, which

	Total Shipping entered and cleared. Thousand tons.	French Shipping entered and cleared. Thousand tons.	Proportion of French to total per cent.	Effective of French Merchant Service.		Estimated total—on basis 3 tons Sailing = 1 ton Steam.
				Steam. Thousand tons.	Sail. Thousand tons.	
1863-1867	10,944	4,276	39	109	905	1,232
1878-1882	23,971	7,373	30	300	643	1,543
1883-1887	26,854	9,451	35	495	504	1,989
1888-1892	28,912	9,600	33	503	433	1,942
1893-1897	29,197	8,771	30	498	398	1,892
1898-1901	36,423	10,007	27	413	484	1,723

certainly enabled the French shipping to secure a larger proportion of what carrying there was to be done. A consideration of the subsequent figures will probably convince the reader that French shipping would have done better under a continuance of the liberal *régime* with the total movement into and out of French ports increasing fast, than it has done by the aid of bounties with that movement restricted by Protection. It should be noted that the French are hampered by the small bulk of most of their exports and the

consequent smaller demand for shipping services than in countries which export heavier goods. But the matter has been made worse by Protection, which has diminished the average bulk of the imports by excluding agricultural produce. The weight of imports has varied as follows:—

	Million Tons, Metric.
1863-1867	10
1878-1882	20
1888-1892	22
1898-1901	26

The intricacies of the bounties granted to shipping and ship-building cannot be discussed here, but it may be remarked that all authorities concur in the view that the extraordinary increase in the sailing and decrease in the steam tonnage after 1892 resulted from the unskilful distribution of bounties between navigation by steam and sail respectively as arranged by the law of 1893.

The estimate of the total tonnage on the basis "three tons sailing equals one ton steam" is, of course, very rough, but it seems probable that there has been some actual decrease in the "effective" total of the French fleet. As the work done by it in the French ports has somewhat increased it would appear that the French are now doing less carrying between foreign ports than was the case twenty years ago.

(3) Export and Import of Capital.

Reference has been made already to the fact that the totals of exports and imports are affected

Domestic Trade of France.

Years	1860	1861	1862	1863	1864	1865	1866	1867	1868	1869	1870
A ...	108	97	107	128	142	140	149	123	125	132	122
B ...	99	113	108	118	130	131	153	154	159	151	130
C ...	−9	+16	+1	−10	−12	−9	+4	+31	+34	+19	+8

Years	1871	1872	1873	1874	1875	1876	1877	1878	1879	1880	1881
A ...	134	163	170	154	162	149	142	134	145	156	154
B ...	154	157	164	178	175	191	173	188	196	212	208
C ...	+20	−6	−6	+24	+13	+42	+31	+54	+51	+56	+54

Years	1882	1883	1884	1885	1886	1887	1888	1889	1890	1891	1892
A ...	155	147	134	136	142	144	141	157	164	157	146
B ...	208	197	182	182	185	171	174	189	187	211	187
C ...	+53	+50	+48	+46	+43	+27	+33	+32	+23	+54	+21

Years	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	—
A ...	138	131	146	156	156	160	181	177	170	179	—
B ...	172	176	163	170	176	193	200	211	196	196	—
C ...	+34	+45	+17	+14	+20	+33	+19	+34	+26	+17	—

A.—Exports—Merchandise and Bullion
B.—Imports ,, ,,
C.—Excess of A −; of B + ... } Millions of £.

by the flow of capital from and to the country whose trade is being examined. Imports of capital (whether they result from the purchase by foreigners of French securities or the recall by Frenchmen of capital previously invested abroad) tend to diminish an existing balance of exports or to increase an existing balance of imports. The export of capital or the reinvestment abroad of dividends accruing from foreign securities held in France works in the opposite direction. It is impossible to say generally that to import or export capital is a sign of prosperity or the reverse. Either movement may result either from an increase or from a decrease of prosperity. The accompanying table (p. 155) shows the French export and import of merchandise, bullion and specie from 1860 to 1902, and the excess in each year of imports or exports. It will be seen that in the early 'sixties, with the exception of the year 1861,[1] the tendency was towards the export of capital. In the following years the movement was in the reverse direction. In 1872 and 1873 imports were again less than exports, perhaps in consequence of the payment of the war indemnity.[2] There follows a period marked by a considerable excess of imports lasting until 1886. Since then the

[1] There is much independent testimony that the Cobden Treaty in 1860 led to the investment of much capital in bringing manufacturing plant up to date. This was especially the case in the iron and textile industries.

[2] The last instalment of the indemnity was paid in September, 1873.

excess has tended to diminish, though the line has fluctuated considerably. It may be, however, that the decline in the mercantile marine has resulted in an increase in the balance of payments due from France to foreign countries in respect of shipping services, and that this partly accounts for the lessened excess of imports. On the other hand, it is known that in the last twenty years a great deal of French capital has been lent to Russia and to South Africa.

To sum up, the return to Protection in France was followed by an extraordinary slackening in the growth of her foreign trade. The general slackening is accentuated as regards those classes of imports which the new and increased duties attacked in particular. Similar phenomena are observable in the shipping industry. Yet it must be pointed out again that even if the reader admits the foregoing conclusions, we are no nearer than before to proving that Protection has been a good or bad thing for the French nation. All that has been shown is that Protection has caused French trade and French shipping to expand more slowly than would otherwise have been the case. We have the main problem still in face of us: has that slower expansion of trade and shipping brought with it profit or loss? There are three possible methods of advance from this point:

(1) General conclusions (of more or less plausibility) may be reached from a broad study of the conditions of industry in France. This is

a very popular method with thinkers of all schools, and has been attempted by the writer in Chapters IV. and VI.

(2) An exhaustive examination into the economic position of every class of the population and every industry, with a view to following point by point the effects of Protection. This is impossible for the individual, and probably impossible for any Government.

(3) A statistical inquiry into the growth of the nation's wealth may furnish evidence, but never demonstrative evidence, either for or against the conclusions reached by method (1).

This third course is reserved for a new chapter.

CHAPTER IX.

WAGES, WORKING CLASS CONSUMPTION AND THE ACCUMULATION OF WEALTH.

Wages.

For a satisfactory estimate of the course of working class earnings in any country three things are necessary:

First, we must know what have been the money wages paid at the times selected for comparison.

Second, we must know how the purchasing power of money has altered.

Third, we must know the numbers receiving each rate of wages at each time.

In the case of France we possess utterly inadequate material to satisfy these desiderata. Not much is known about the course of money wages; still less is known about the changes in the purchasing power of money; least of all is known about the shifting of employment.

The Course of Money Wages.

Information on this subject comes from several sources.

1. The inquiries addressed to employers in the periods 1840-1845, and 1860-1865 and the general wage-census of 1891-1893.

2. Returns of wages from Paris and the *chef-lieux* of the departments for various industries in several years from 1853 to 1901.

3. Returns of wages for a series of years in the mining and sugar industries.

4. Estimates of agricultural wages from the agricultural censuses of the years 1862, 1882 and 1892.

Average wages, other than agricultural, were in 1860-1865, 2·76 frs. per day for men, 1·30 frs. per day for women. According to the wages census of 1891-1893 the daily wages of men were 4 frs., of women 2·20 frs. These figures show an increase during the thirty years of 44 per cent. for men and 69 per cent. for women. In 1840-1845 wages for men were 2·07 frs., for women 1·02; the figures for 1860-1865, compared with these show an increase of 28 per cent. in the case of men, 27 per cent. in the case of women. It will be seen that the average increase per annum was considerably greater in the thirty years which succeeded the treaties of commerce than in the twenty years which preceded them. At this point, however, our information as to the average non-agricultural wage breaks down. We do not know what was the increase between 1891-1893 and 1901-1903, nor what part of the increase between 1860-1865 and 1891-1893 fell in the period 1884-1890, during which the return to agricultural protection was made.

For the period 1853-1901 we must turn to the records of wages in Paris and the *chef-lieux* of

the departments, and to the returns of wages in the mining and sugar industries for the whole of France.

As regards the mining industries we get the following results :—

	Yearly Earnings—Frs.		
	Coal Mines.	Iron Mines.	Other Mines.
1863-1867 ...	779	615	574
1878-1882 ...	1,031	944	757
1883-1887 ...	1,070	945	749
1888-1892 ...	1,155	1,006	806
1893-1897 ...	1,172	1,038	952
1898-1902 ...	1,304	1,134	954

			Coal Miners. Frs.	Iron Miners. Frs.	Other Miners. Frs.
15 yrs.	1863-1867 to 1878-1882	Absolute increase	252	329	183
		Relative increase	32%	53%	31%
15 yrs	1878-1882 to 1893-1897	Absolute increase	141	94	195
		Relative increase	13%	9%	26%
20 yrs.	1878-1882 to 1898-1902	Absolute increase	273	190	197
		Relative increase	26%	12%	26%

The proportional increase was considerably greater during the first fifteen years than during the subsequent twenty years. The absolute increase was greater in the case of iron miners and slightly less for colliers and other miners.

For the sugar industry we have records of wages reaching back to the year 1881-1882 :—

	Francs per Day.		
	Men.	Women.	Children.
1881-1882 ...	3·97	2·00	1·76
1882-1883 ...	3·91	2·00	1·78
1883-1884 ...	4·05	2·01	1·78
1884-1885 ...	3·90	1·92	1·73

	Francs per Day.		
	Men.	Women.	Children.
1885-1886 ...	3·72	1·89	1·67
1886-1887 ...	3·68	1·92	1·68
1887-1888 ...	3·70	1·86	1·67
1888-1889 ...	3·69	1·92	1·71
1889-1890 ...	3·65	1·77	1·47
1890-1891 ...	3·66	1·76	1·48
1891-1892 ...	3·72	1·81	1·58
1892-1893 ...	3·66	1·76	1·52
1893-1894 ...	3·71	1·79	1·49
1894-1895 ...	3·71	1·77	1·51
1895-1896 ...	3·72	1·81	1·53
1896-1897 ...	3·74	1·84	1·57
1897-1898 ...	3·75	1·87	1·52
1898-1899 ...	3·79	1·88	1·55
1899-1900 ...	3·87	2·06	1·66

It will be seen that in all three classes wages attained their maximum in the year 1883-1884. It was in 1884 that M. Méline passed his bill to encourage sugar refining in the interests of the workers.

Turning now to the returns of wages in Paris and the *chef-lieux* of the departments we have for Paris the following table: —

—	Francs per Hour.												—
	Mason.	Stone Cutter.	Rough Caster.	Slater.	Carpenter.	Joiner.	Smith.	Navvy.	Mason's Assistant.	Slater's Assistant.	Viceman's Labourer.	Means.	
1862	·525	·55	·70	·70	·60	·45	·65	·40	·335	·45	·35	·52	
1873	·55	·55	·75	·75	·60	·50	·70	·40	·35	·50	·40	·55	Increase 1873-1880, 27 per cent.
1880	·75	·75	1·00	·85	·80	·70	·775	·55	·50	·55	·50	·70	Increase 1862-1880, 34 per cent.
1900	·80	·85	1·20	·85	·90	·70	·80	·55	·50	·55	·525	·74	Increase 1880-1900, 5 per cent.

For the *chef-lieux* of departments other than Paris we are warned in the report on the wages census of 1891-1893 that the mayors are in many cases badly placed for arriving at an accurate knowledge except as regards the building trade. For this trade they give the following figures as fairly representative:—

	Francs per Day.					
	Navvies.	Masons.	House Painters.	Mean.	Increase. Absolute.	Per cent.
1874	2·55	3·14	3·25	2·98	—	—
1883	2·83	3·65	3·82	3·43	·45	15
1892	3·17	4·01	4·24	3·80	·37	9

These figures may be supplemented from the "Borderaux des Salaires," 1902.

	Francs per Day.				Increase 1892-1901.	
	Navvies.	Masons.	House Painters.	Mean.	Absolute.	Per cent.
1896	3·17	4·13	4·21	3·83	—	—
1901	3·29	4·25	4·38	3·97	·17	4

If we add the wages in six other trades, *viz.*, saddlers, shoemakers, wheelwrights, carpenters, horseshoers, and plumbers, the result shows very little difference. In the Memoranda of the Board of Trade the wages of these trades are given as percentages of the figure for 1900 as follows:—

		Increase per cent.
1874 ...	73	—
1883 ...	83	13·8
1892 ...	92	10·8
1901 ...	101	9·7

Wages for 1900 = 100

A similar calculation for wages in the three trades above shows:

		Increase per cent.
1874	75	—
1883	87	16
1892	96	10·3
1901	101	5·2

The nine trades show a more rapid advance in the last nine years and a slower advance in the first nine than do the other three.

For "skilled trades in general" except in Paris the Memorandum gives the following figures:—

1874	77
1883	88
1892	—
1896	99
1901	101

Unluckily no figures are available for 1892.

If we compare these percentages with the percentages of the three building trades, we have the following table:—

Three Building Trades.	Skilled Trades in general.		Increase per cent.
1874 ... 75	77 ...	—	
1883 ... 87	88 ...	1874-1883 ...	14
1892 ... 96	? 97 ...	1883-1892 ...	? 10
1896 ... 97	99 ...	—	
1901 ... 101	101 ...	1892-1901 ...	? 4

It will be seen that the correspondence in all other years is so close as to justify the interpolation of the figure 97 or 98 for the year 1892 in the second column.

To sum up the discussion so far as it has been carried we note:

1. An increase in wages considerably greater per annum between 1860 and 1890 than between 1840 and 1860.

2. As regards the increase from 1860 to 1900 all the evidence goes to show that it was more rapid during the liberal period than since the return to Protection. This was shown for Paris, for the other *chef-lieux* of departments, and for the mining industries. For sugar we have no figures before the season 1881-1882; wages increase for the next two years to a point, in 1883-1884, which they have not attained since.

As regards agricultural wages, information is so scanty as to be scarce worth recording. The agricultural censuses of 1862, 1882, and 1892 give figures for those years; the census for 1902 will no doubt give a figure for that year, when it is published. Commencing with day labourers, the following are the known figures:—

	Daily Wage—without Food—Frs.			
	Summer.		Winter.	
	Men.	Women.	Men.	Women.
1862	2·77	1·73	1·85	1·12
1882	3·11	1·87	2·22	1·42
1892	2·94	1·78	2·04	1·35

It is impossible to attach very much weight to these figures, since we do not know what was happening to wages in the intervening years. It may be remarked, however, that French wages do not in general show very great sudden fluctuations, and it is probable, therefore, that there was some decline between 1882 and 1892, though possibly not so great as these figures would indicate. The harvest in both years was fairly good.

As has been said, the figures for 1902 have not yet been published. The "Borderaux des Salaires" give the wages of agricultural labourers (men) in the *chef-lieux* of the departments for 1901, and the mean of these figures is 2·80 frs. It will be seen that this is lower than the summer wage for men in 1892, and considerably higher than the winter wage. From the fact that the "Borderaux" give also the number of days worked per year, we may conclude that the figure 2·80 frs. represents the true mean of summer and winter wages (though this is not stated). On the other hand, the census of 1892 gives no information as to how many days are worked at the winter and summer rates respectively. The arithmetical mean of the two rates (2·49 frs.) is probably below the true mean, since more days would be lost in winter than in summer; but accepting it we find that the average wage in the 1887 *chef-lieux* of departments for 1901 was only 31 centimes a day higher than the average wage for all France in 1892. These figures certainly do not allow us to suppose

that there has been any increase in agricultural wages between the two dates, since the average wage in the *chef-lieux* would necessarily be appreciably higher than the average wage for all France.

Whilst the recorded wages of day labourers show a decline between 1882 and 1892, the wages of farm servants show an increase, except in the case of women, where the decline is considerable :

		Maitres-Valets.	Labourers and Carters.	Cowherds.	Shepherds.	Cheese-makers.	Others (Male).	Female.
Annual Wages. Francs.	1882	465	324	289	290	431	295	235
	1892	493	360	322	309	489	304	202

There are unfortunately no figures given for comparison in the census of 1862, nor do the "Borderaux des Salaires" quote any for 1901. Hence it is impossible to come to any conclusion as to the bearing of this rise, between 1882-1892, on the progress of wages generally. It may be that they, like all other wages of which we have record, increased faster between 1862 and 1882 than between 1882 and 1902. On the other hand, they may form an exception to the general rule.

The Purchasing Power of Money.

The variations of money wages, however well established—and this they are far from being in

the case of France—have little interest until the variations in the purchasing power of money are known also. For our own country, for the United States, and for Germany, index numbers have been compiled from the wholesale prices of a considerable number of articles over lengthy periods. For France no corresponding instrument has been created. Mr. A. L. Bowley, writing in the *Economic Journal*, Vol. VIII., states that he has made "a very rough approximation from records of French export prices, consumption budgets tabulated in the French Report (*i.e.*, the wages census of 1891-1893), and general information as to the course of prices"; and he finds it possible in this way to construct index numbers of the course of real wages in France for comparison with similar computations for our own country and the United States. I have thought it preferable to content myself with placing the chief evidence available before the reader, and trying to establish general tendencies. The information at our disposal would hardly justify us in the construction of index numbers for money wages, except as between the general inquiries of 1840-1845, 1860-1865 and 1891-1893, with which Mr. Bowley was principally concerned; and this being so, there would be nothing gained by the even more daring attempt to construct index numbers of the purchasing power of money.

The chief information available may be tabulated thus: the period 1883-1892 = 100[1]:—

Periods.	A. Export Prices.	B Import Prices.	C. Mean, A and B.	D. Wheat Prices.	E. Meat Prices.	F. Food, Light and Heat in Paris.	G. Rent in Paris.	F.+G. —
1863-1872	139	136	137	119	—	108	68	98
1873-1882	112	126	119	121	103	110	84	103
1883-1892	100	100	100	100	100	100	100	100
1893-1897	93	85	89	86	103	—	—	—
1893-1902	—	—	—	87	101	—	—	—

NOTES.

A, B, and C.—From Index Numbers constructed by Professor A. W. Flux, *Royal Statistical Society's Journal*, 1898.

D.—From Prices in "Memoranda," by the Board of Trade.

E.—Mean of prices of five kinds of meat as given for all France in the French Agricultural Returns.

F.—From inquiry by M. Bienaymé, published in "Statistique de la ville de Paris."

G.—Estimate of the Census Commissioners, 1891-3.

These figures certainly do not explain away the relatively slow progress of money wages in the last twenty years. The prices of exports and imports fell steadily until 1898—the last year for which we have index numbers. A consideration of the average value per ton, as given in the "Annuaire Statistique," and of the movement of the English index numbers compiled by Mr. A. L. Bowley, suggests that they have risen since that date. The price of wheat was higher in the years 1868—1874 than in the preceding six years; since then, however, it has fallen continuously. Meat

[1] For columns F and G the periods are 1864-1873, 1874-1883, 1884-1893.

also attained maximum prices in the 'seventies, and fell afterwards until checked by the protective tariffs. The cost of living in Paris is not a good guide to the cost of living in the rest of France, but it is interesting to see that the rise in rents nearly compensates for any fall in the cost of food, heat and light: it is probable, however, that this rise in part represents improved accommodation. Parisians at the present time complain bitterly of the increased cost of living during the last fifteen years. Such general impressions are, of course, always due in part to the confusion between living at a higher standard and living at the same standard more expensively.

To sum up: The prices of exports and imports show a continuous fall until 1897, but have probably risen somewhat since. The price of wheat has fallen continuously since 1874. The price of meat fell slightly from the mid-'seventies until the beginning of the 'nineties, and has since shown a slight recovery. In the thirty years 1863-1892 the cost of food, heat, light and lodging at Paris hardly varied; since then it has probably risen somewhat.

We may therefore conclude that the course of money wages between 1873 and 1901 is not very seriously misleading. Probably it somewhat minimises the progress of real wages between 1873 and 1892, and (if anything) exaggerates very slightly their progress between 1892 and 1901.

Distribution of Employment.

To supplement our study of the progress of wages in France, it would be desirable to know what has been the shifting of labour as between higher and lower paid trades. It is plain that the arithmetical mean of the wages paid in all the trades of a country at two dates gives a false view of the progress of the average wage if the proportion of the population engaged in high and low paid industries respectively has altered appreciably between the two periods of comparison. Unfortunately, the French census officials have altered the form of their "occupations" inquiry so often that no satisfactory information on this head can be derived from them. In the introduction to the report on the industrial census for 1896 occurs the following statement:—

"From 1891 to 1896 the number of people returned as occupied has increased by more than two million souls. The increase is noways the result of a diminution in the number of those without occupation, it is simply the consequence of improved methods of inquiry."

As regards agriculture, the censuses for 1862, 1882, and 1892 furnish us with slightly more satisfactory material. The numbers of day labourers and servants have declined considerably; the number of small holders has somewhat increased. It is true there is no means of discovering what is the difference between the

earnings of a small holder and the earnings of a day labourer, but it can hardly be disputed that most men would prefer the position of the former even on a lower income. A comparison between the census-reports of 1866 and 1896 (given with certain qualifications in the Report on the latter) shows that the numbers occupied in industry increased during the thirty years very little faster than the numbers employed in agriculture. Trade, transport, and the liberal professions, all increased considerably faster than either agriculture or industry. Of industries, the following showed an increase above the average: Mining, metal manufactures, chemicals, furniture, dressmaking, lighting, food manufactures, transport manufactures, industries relating to science, art, pleasure and war. The increase was below the average in metallurgy, leather, wood, ceramics, building, and textiles: of these, textiles and leather declined, and metallurgy and wood were practically stationary. If this list be compared with the table of annual earnings in several industries (in Departments other than the Seine—"Wages Census," Vol. IV., pp. 38, 39), it appears that mining, chemicals, wood, metallurgy, and metal manufactures show wages above the average; food manufactures, leather, dressmaking, furniture and textiles below the average. From this it would appear that on the whole the increase has been in the higher-paid industries. There are, however, exceptions in each direction—the numbers in some low-paid industries increase

the numbers in some high-paid industries are stationary, and the two lists do not furnish comparisons for every item.

Unemployment.

When wages in one country are compared with wages in another it is desirable to know the extent of unemployment in each. As usual the knowledge which is desirable cannot be had in satisfactory measure. The accompanying table (p. 174) gives the percentage of unemployed returned by trade unions in France and the United Kingdom respectively for each month from June, 1895, to April, 1903, so far as they have been reported in the Gazette of the Board of Trade. The absolute percentages are not of much value, since the returns are said to be differently collected and the numbers of men to whom they related are much greater in the United Kingdom than in France. But it is hard to account for the greater fluctuations in the French figures except on the assumption that employment is less regular there than here.

We may conclude this examination with the following index numbers of the course of "real" wages in the United Kingdom[1]:—

Years.....	1860	1870	1880	1890	1900
Real wages	55	60	70	84	100

[1] As estimated by Mr. A. L. Bowley, "National Progress," p. 33.

Percentage of Unemployed Returned by Trade Unions in France and in the United Kingdom.[1]

1895.	France.	United Kingdom.
June	5	5
July	4	5
August ...	5	5
September ...	4	4
October ...	4	4
November ...	5	4
December ...	6	4
1896.		
January ...	8	4
February ...	—	3
March ...	4	3
April	5	3
May	5	3
June	4	3
July	7	3
August ...	6	3
September ...	7	3
October ...	7	3
November ...	8	2
December ...	8	3
1897.		
January . .	11	3
February ...	7	3
March ...	7	2
April	6	2
May	7	2
June	5	2
July	—	2
August ...	—	3
September ...	—	4
October ...	7	4
November ...	7	4
December ...	8	5
1898.		
January ...	8	4
February ...	8	4
March ...	7	3
April	—	2
May	—	2
June	—	2
July	—	2
August ...	—	2
September ...	9	2
October ...	10	2
November ...	13	2
December ...	11	2
1899.		
January ...	—	3
February ...	11	2

1899—*continued.*	France	United Kingdom.
March ...	8	2
April	10	2
May	8	2
June	7	2
July	8	2
August ...	6	2
September ...	6	2
October ...	6	2
November ...	7	2
December ...	10	2
1900.		
January ...	8	2
February ...	—	2
March ...	—	2
April	7	2
May	7	2
June	6	2
July	7	2
August ...	8	3
September ...	8	3
October ...	7	3
November ...		3
December ...	11	4
1901.		
January ...	12	4
February ...	14	3
March ...	12	3
April	8	3
May	6	3
June	9	3
July	6	3
August ...	10	3
September ...	9	3
October ...	9	3
November ...	10	3
December ...	10	4
1902.		
January ...	13	4
February ...	15	4
March ...	14	3
April	11	3
May	10	4
June	9	4
July	11	4
August ...	11	5
September ...	10	5
October ...	10	4
November ...	11	5
December ...	11	5

[1] Decimals omitted.

Working Class Consumption.

The evidence examined so far is hardly strong enough to justify us in more than tentative or negative conclusions as to the progress of wages in France. It is proposed now to supplement this evidence by examining the consumption of the principal foods and luxuries of the working classes. It is fairly well established that working men in France spend from 45 to 50 per cent. of their incomes on food and drink; it is therefore certain that the fluctuations in wages will be accompanied by similar, though not so great, fluctuations in the consumption of food. It was necessary to exclude figures relating to wine, spirits and beer. The figures for wine are affected by the phylloxera to such an extent as to obscure all trace of other possible influences, and it is well known that the consumption of spirits and beer was in turn influenced by the failure of the vines. Excluding alcoholic drinks we have the following table. All figures relate to the consumption per head of population: the consumption from 1863-1867 = 100:—

	Tea and Coffee.	Cocoa.	Sugar.	Wheat.	Potatoes.	Tobacco.
1863-1867	100	100	100	100	100	100
1873-1877	119	153	106	108	119	102
1878-1882	149	186	135	124	109	110
1883-1887	169	213	170	124	123	117
1888-1892	170	233	178	124	133	117
1893-1897	180	260	173	120	142	118
1898-1902	210	306	187	128	152	123

These figures are sufficiently remarkable in themselves; it should be noted, however, that the period 1863-1867 was followed by a disastrous war, by the loss of two of the richest provinces of France, and by an enormous increase in taxation. In spite of this if the *fifteen* years from 1863-1867 to 1878-1882 be compared with the *twenty* years from 1878-1882 to 1898-1902 it will be seen that the percentual increase (excepting for potatoes) was in all cases greater and in most cases considerably greater in the former period; the contrast between the increases, both absolute and percentual, in the two periods of fifteen years, 1863-1867 to 1878-1882 and 1878-1882 to 1893-1897, is even more striking. That the consumption of potatoes should increase fast whilst the consumption of other food increases slowly is in accordance with the results of social inquiries in other countries where potatoes compete with bread as a staple of working class diet.

The most important omission in the table given above is undoubtedly that of meat. The consumption of meat in the whole of France is given by the agricultural censuses for the years 1862, 1882 and 1892. We have also returns of the consumption in towns of over 10,000 inhabitants for the years 1872, 1877, 1882, 1887 and 1892. For Paris we have figures for the years 1888 to 1900 inclusive. Besides these data we know the imports and exports of live animals and meat in each year and the numbers of farm stock, together

with the percentage of animals slaughtered and the weight of meat obtained in 1882 and 1892. This material allows us to speak with some certainty of the consumption of meat down to 1892 and to make a fairly accurate guess as to its progress since that date.

We may begin with the figures in the decennial censuses of 1862, 1882 and 1892 :—

	Consumption of Meat—Kilograms per Head of Population.		
	Urban.	Rural.	All France.
1862	53·60	18·57	25·92
1882	64·60	21·89	33·05
1892	58·12	26·25	35·59

In the twenty years from 1862-1882 the consumption rose by eight kilograms per head; in the next ten years it rose by two kilograms only. The decline in the urban and considerable increase in the rural consumption between 1882 and 1892 was attributed by the commissioners to two causes: first, the increased consumption of alcohol in the towns: second, the growth of the habit amongst the middle classes of spending a part of each year in the country.

For the consumption of butchers' meat in towns of more than 10,000 inhabitants, the

following figures are given; kilograms per head of population:—

1872	...	...	50
1877	...	...	59
1882	...	...	64
1887	...	...	60
1892	...	...	58

It will be seen that the figures for 1882 and 1892 are the same as those in the preceding table. The fact that, in spite of the great increase between 1862 and 1882, the figure for 1872 is lower than that for 1862 shows how far France was thrown back in development by the war.

We may now examine the returns of live stock and exports and imports of cattle and meat between 1888 and 1902:—

RETURNS OF LIVE STOCK.

	Oxen and Cows.	Sheep.	Pigs.	Goats.
1888-1892.....	13,496,000	21,895,000	6,066,000	1,512,000
1893-1897.....	13,017,000	20,958,000	6,173,000	1,490,000
1898-1901.....	14,040,000	20,620,000	6,508,000	1,520,000

NET IMPORTS—DEAD MEAT: FRESH, DRIED AND SALTED.

			Kilograms.
1888-1892	...	...	22,686,000
1893-1897	..	...	10,798,000
1898-1901	...	...	6,004,000

NET IMPORTS—ANIMALS NOT HORSES.

			Head.
1888-1892	...	...	1,230,000
1893-1897	...	...	1,562,000
1898-1901	...	...	1,229,000

Comparing first the periods 1888-1892 and 1893-1897 we find of live stock:

A decrease of 379,000 oxen and cows, 937,000 sheep and 22,000 goats; an increase of 107,000 pigs.

Imported meat decreases by 11,888,000 kilograms.

Imported stock increase by 332,000 head.

It would appear that there must have been some decline in consumption.

A comparison of the periods 1888-1892 and 1898-1902 shows but slight improvement on this result.

In farm stock there is an increase of 544,000 oxen and cows, 442,000 pigs and 8,000 goats, a decrease of 1,275,000 sheep.

Imported meat is less by 16,682,000 kilograms.

Imported animals are less by 1,000 head.

The increase under oxen and cows results from an increase in cows only; other classes decreased.

Population between 1888-1892 and 1898-1902 increased 3 per cent.

Allowing for some improvement in the production of meat per animal, we may suspect at best a very slight increase in the consumption of meat between the two periods, and this increase in the baser kinds—cow, pig and goat.

The figures for consumption of meat at Paris bear out these conclusions closely :—

	Kilograms.	Population of Paris.
1888-1892 ...	185,000,000	1891 ... 2,424,000,000
1893-1897 ...	179,000,000	1896 ... 2,511,000,000
three years		
1898-1900 ...	198,000,000	1901 ... 2,600,000,000[1]

[1] Estimate.

The consumption in 1900 was exceptional—presumably in consequence of the Exhibition. The decline in the consumption in towns of over 10,000 inhabitants between 1887 and 1892, to whatever cause it was due, does not seem to have occurred in the case of Paris. At least the consumption hardly varied between 1888 and 1892.

In examining the progress of food consumption we have found phenomena answering very closely to those observed in the case of wages. We may, therefore, assert with some confidence that the impression derived from the study of wage statistics was accurate. To sum the matter up, we find a steady and rapid progress until about the years 1885-1888; after those years progress continues, but at a much less rapid rate. In spite of the losses occasioned by the war the lower classes in France improved their position far more rapidly during the period of liberal tariffs than they have done since the reversion to high protective duties.

National Wealth.

The impression derived from the study of wages and working class consumption is borne out on the whole by such evidence as exists in relation to the increase of wealth. From an academic point of view it is much to be deplored that the French collect no income tax. The Income Tax Assessment Tables are the foundation

of most estimates of the growth of wealth in the United Kingdom. There is nothing comparable for France. But though statistics of income are wanting, a fairly accurate view of the increase in accumulated wealth can be derived from the sums assessed in each year to pay succession duty and settlement duty—"Droits sur les donations et sur les successions." The "donations" being in nearly all cases simply anticipations of legacies, it is plain that property changes hands in this way once in a lifetime. The sums passing in this way from year to year must, therefore, bear nearly a fixed proportion to the total of the accumulated wealth of the country in each year. The comparison from year to year is, however, affected by fluctuations in the death-rate. The years of the war, for instance, and influenza years exhibit unusually high returns. The method of quinquennial averages eliminates this cause of error nearly enough.

MEAN OF SUMS PASSING BY "SUCCESSION" AND "DONATION."

TABLE A.

In the years.	Million frs.	Increments of each period over preceding period. Absolute.	Percentual.
Col. 1.	Col. 2.	Col. 3.	Col. 4.
1863-1867 ...	3,940	— ...	—
1878-1882 ...	6,073	2,133 ...	54 per cent.
1893-1897 ...	6,698	625 ...	12 per cent.

For the last thirty years the figures are as follows:—

TABLE B.

In the years.	Million frs.	Increments of each period over preceding period. Absolute.	Percentual.
Col. 1.	Col. 2.	Col. 3.	Col. 4.
1873-1877 ...	5,245	— ...	—
1878-1882 ...	6,073	828 ...	15 per cent.
1883-1887 ...	6,325	252 ...	4 per cent.
1888-1892 ...	6,659	336 ...	5 per cent.
1893-1897 ...	6,698	47 ...	0·5 per cent.
1898-1901 ...	7,131	433 ...	6 per cent.

Table A shows the results during fifteen years of liberal policy (though this period included the Franco-Prussian war and the loss of Alsace and Lorraine) compared with the results during fifteen years of increasing Protection.

Table B shows the results during the last thirty years in more detail. The first table hardly requires comment; on the second the following notes may be made:—

1. The increase between the periods 1873-1877 and 1878-1882, *i.e.*, during the last five years of the liberal *régime*, is rather more than one-third of the total increase between 1863-1867 and 1878-1882.

2. The third and fifth of these periods being years of relative depression, the figures must not be pressed too closely; thus the increase from 1883-1887 to 1888-1892 was slightly greater

than the increase from 1878-1882 to 1883-1887, though in the later period protection was heavier than in the earlier. Similarly, between 1888-1892 and 1893-1897—*i.e.*, years immediately before and after the reform of 1892—there was practically no increase. Here, again, allowance must be made for the depression in 1893-1897.

3. If we compare the three periods of prosperous trade—1878-1882, 1888-1892 and 1898-1901—we find that the increase both absolute and percentual was appreciably greater in the ten years next before the reform of 1892 than in the succeeding years.

The figures altogether must be qualified by the following consideration. The rent of urban land seems to have increased steadily since the 'sixties; but the rent of agricultural land, which increased between 1862 and 1882, fell back somewhat between 1882 and 1892 and cannot have increased much since then, if it has not fallen yet more. The figures, therefore, somewhat exaggerate the increase in wealth up to 1882, and somewhat minimise it in the succeeding years. The decline in the value of agricultural land represents no necessary decline in national wealth. For the most part it is symptomatic of a more equitable distribution of wealth between the several classes of society. In some measure, therefore, decline on this head would be compensated by increase in other directions. Nevertheless, a considerable

proportion of the annual income thus redistributed would fall to the working classes, would be consumed by them each year by increased annual expenditure, and would so be lost to the total of accumulated wealth.

CHAPTER X.

CONCLUSION.

The case then stands thus: we find that the slackening in the growth of the trade of France is not an isolated phenomenon. The same tendency and at the same time is seen in the statistics of wages, of working class consumption, and of national wealth. It may be that each of these coincident phenomena is due to a different cause, and that the several causes stand in no relation to one another save that of time. This, however, seems improbable. It is altogether more likely that one or more broad influences have been at work interwoven with and enforcing one another, and driving in the same direction. That the industrial position of France is not entirely satisfactory is admitted by most Frenchmen, and it may be of interest to consider what are the reasons which current discussion supplies.

(1) First amongst these reasons stands the low birth-rate. As a first cause this would seem inadequate, if only because the decline in the birth-rate is neither peculiar to France nor a new thing in that country. In the periods 1863-7, 1878-82, and 1893-7 respectively, the birth-rate was 2·67, 2·49 and 2·23 per thousand. It will be seen that

the decline in the latter period is only very slightly more rapid than the decline in the former.

(2) Secondly the weight of taxation is alleged as a cause. Here, again, inquiry shows that taxation (apart from the incidence of protective duties) is not increasing so fast in France as for instance in the United Kingdom, and that it certainly did not suddenly become immensely heavier in or about the year 1885.

The following table should settle this question conclusively:—

FRENCH BUDGETS.

	Receipts.	Expenditure.
	Million francs.	
1863-1867 ...	2,264 ...	2,287
1878-1882 ...	3,575 ...	3,467
1883-1887 ...	3,366 ...	3,450
1888-1892 ...	3,329 ...	3,278
1893-1897 ...	3,440 ...	3,466
1898-1901 ...	3,666 ...	3,640

The great increase in French expenditure came in 1873, not in 1883. There are few first class countries which can show such a small increase in the cost of government between the years 1883-7 and 1898-1901.

(3) Various somewhat vague psychological momenta are adduced: *e.g.*, "objection to residence in foreign countries," "inferior commercial education," "Rentnergeist," "superior general education," and many more.

To each and all of such explanations the valid reply may be made that the alleged cause did not

first become operative or redouble in vigour in the early 'eighties. The professional classes in France have been relatively well educated since the middle of the eighteenth century: it would certainly be difficult to maintain that they are more so now than they were under the Second Empire and in the early years of the Third Republic. The industrial and agricultural classes have been ill educated (commercially) since the middle of the eighteenth century, but the difference to the disadvantage of France is probably no greater now than thirty years ago—in agriculture it is certainly less. Similarly, industrial pessimism is no product of modern times: French manufacturers were just as sorry for themselves in 1786 and in 1860 as they were in 1891—perhaps more so, since their fate was apparently less in their own hands. Nor must we omit consideration of the reaction of their protectionist policy upon the character of the French.

In a country where the general level of economic understanding is as low as it is in civilised nations to-day, the demand for unscientific Protection may issue either from the growth of pessimism or from the growth of optimism. If it issue from optimism, its psychological effects may be *pro tanto* good—at least unless it bring such disasters with it as change the optimistic demand for some protection into the pessimistic demand for much. Many British manufacturers at the present time are asking for Protection from a natural pessimism

of character which demands State-action to do for them what their fathers did for themselves. Others, of course, demand it from optimism. The psychological effects on these two classes of the adoption of Protection would evidently be different. Few of the first class would be stimulated; most of them would lose what self-reliance they still retain. Similarly, in Germany, the main strength of the agrarian protectionist movement rests upon pessimism, and as the history of twenty years shows abundantly, agrarian pessimism increases with every step along the path of State aid. On the other hand, many manufacturers in Germany are led towards Protection by optimism: they see in new duties the opportunity for improved methods rather than for retaining antiquated plant. On many of them Protection has a stimulating effect, and is *pro tanto* good.

Now as regards France, the whole fabric of protectionist feeling is reared upon economic pessimism. It is not a new trait in the French character: its roots stretch back to the days when Colbert was regarded as a "free trader" —and further back. The view that Protection must inevitably and under all circumstances prevent improvement of method was based largely upon the observation of France and England, before Germany and the United States had emerged as world Powers; and the conditions observed justified the view. History furnishes no evidence that the vigour of Englishmen or

Frenchmen is increased by State-aid. The Government of the Second Empire set itself deliberately in antagonism to the industrial timidity of France; and results fully justified its action. In the early 'seventies the excitement of reconstruction fixed men's attention on other things: they had no time to be afraid. But as the first enthusiasm died away, the spirit of fear returned, and with it the demand for Protection, which nothing now could check when once it was seen to be the nation's will. To a nation in this humour, unscientific Protection is a much more serious evil than to a nation in the humour of (*e.g.*) the Americans in 1897, or the German manufacturers in 1902. The promise of a secure market at home is the worst possible way of persuading timorous firms to found a counting-house in some foreign country. An ill-educated and prejudiced farmer will not be stimulated to better methods by the promise of higher prices for his produce. If we are to admit industrial pessimism as a joint cause along with unscientific Protection for the coincident phenomena which have been observed, then it must be remembered that Protection has been the parent as well as the child of fear. It has strengthened that force which, in conjunction with ignorance, gave it birth.

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